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MAY 30, 1931

INTERNATIONAL ISSUE
Number One

Debt Cancellation Not Necessary
By THEODORE M. KNAPPEN

Russia Menaces Both Labor and Capital
Part II

By C. G. WYCKOFF

Europe Picks on Our Tariff as a Political Expedient
By JOHN C. CRESSWILL

C. G. Wyckoff
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WITH THE EDITORS

The Happy Medium

WE recently fell into casual conversation with our local tobacconist. We had not been in his shop in some time so we asked him how business was. "Pretty good" was the unusual answer for these days.

"Doing as well as this time last year?" we inquired. "A little better," he replied. "Cigarette sales are about equal and there is slightly more profit in them, since we abandoned the two packs for a quarter. Cigar sales hold up although we are selling more of the low-priced brands than formerly. Candy is moving well."

"Well if you are one of those lucky ones who are not feeling the depression I suppose that house you were building for yourself is about completed," we remarked. He smiled. "No. We still live over the store and the house is still on paper. My money is going into the bank across the street."

"But," we countered, "you had planned on that house for a long time and now building costs are lower. I'll wager the contractors are pestering you to death with new estimates. You have the money to build and own the home you wanted for your family, free and clear. If you have not experienced any decrease in income so far you need not be unusually apprehensive of the future of your business. What is holding you up?"

"Nothing, really, I suppose," was his rejoinder, "except that times are bad and I feel as though it is foolish to expand. I guess I'll keep my money in the bank till business gets better."

We left the store wondering whether business *was* going to get better and whether after all the depression was not being unnecessarily extended by just this attitude of hesitation in major expenditures and investments multiplied in varying degree just about the number of times that there are people in the country.

Not only individuals but banks and institutions are perhaps laying undue emphasis on "being liquid." A little foreshortening of buying on the part of those who have the funds, piled on top of the inevitably reduced buying of those out of work, in the aggregate has grown like a giant snowball which is chilling the very marrow of trade and industry.

Things are not very rosy now. Let's admit that. But there is danger of making them worse rather than better by an over-developed fear complex. There is a happy medium between hoarding and profligate spending. If more of us find it we will be better off.

In the Next Issue

The issue of June 13 will be the second

International Number

It will continue interesting and practical discussions of world problems and their relation to American business. Among the outstanding features will appear:

Germany Looms As An Industrial and Political Power

Re-establishing her position as the leading industrialist of the Continent.

Can the World Reject Silver As a Monetary Metal?

Wheat and Cotton

Two essentials whose world-wide abundance weighs heavily on international trade.

Lower Wages or High Freight Rates

A Special Railroad Story.

Watch for The Public Utility and Mid-Year Reinvestment Number June 27

Photo by Ewing Galloway

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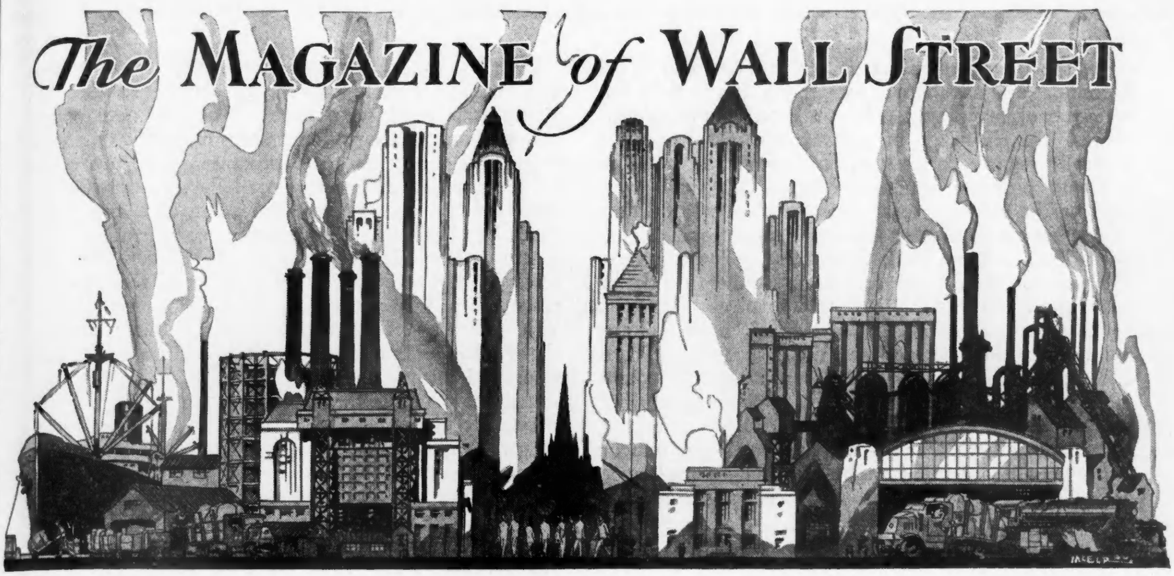


E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Associate Editor

Investment and Business Trend

Depression Reserves—Still Savings Grow—France Taxes Securities—Protecting Investors—Blue Chips—The Market Prospect

DEPRESSION RESERVES

HARD times emphasize the favorable position of corporations which stuck to a conservative dividend policy in prosperous years, thus prudently laying aside reserves for a rainy day. Such companies now need be in no haste to omit dividends. Their example suggests a practical method of combatting depression by preparing for it. Who can doubt that we would be better off now if we had long ago resigned ourselves to the inevitability of the business cycle instead of persuading ourselves in 1929 that it had been abolished? Fewer dividends would have been lifted to imprudent levels, fewer "extras" paid, fewer stock dividends and split-ups voted. A sane program of adjusting dividends as nearly as possible to reasonable long-term prospects, instead of to a boom period, probably would have lowered the bull market peak and tended automatically to limit the depth of the present valley. Let us hope that such a program will become common corporate practice before the next boom gets started. There is probably no safe remedy that can be imposed by law but corporations, like individuals, will best serve their own interests and those of the country by paying more heed to old-fashioned principles of thrift. There is no logical reason why "depression reserves," for the benefit of stockholders and labor, should not be a permanent feature of every balance sheet.

STILL SAVINGS GROW

SAVINGS bank deposits in the State of New York increased 41 million dollars during the month of April, carrying the gain for the first four months of 1931 to the record-breaking total of nearly 223 million. Only in part is this a reflection of real saving. Its abnormality is plainly indicated by the fact that withdrawals in April usually exceed deposits, the latest increase being the first to occur in April in seven years. It suggests a scramble on the part of timid owners of capital to obtain both security and the relatively high rates of interest paid by the savings banks. The condition obtains not only in New York State but all over the country. Despite the restrictions imposed by the banks, much idle corporate money has found its way into their keeping. Safe and profitable investment of the mounting millions becomes an increasingly difficult problem. Investment in the highest grade bonds at present prices returns scarcely enough yield to cover savings bank

costs, the largest of which is the interest paid upon deposits. Railroad bonds, formerly a fertile field for savings bank investment, offer a narrowing opportunity because the shrinkage of railway earnings has automatically removed some such bonds from the legal list and will probably eliminate others. The only way out for the savings banks appears to be a reduction of interest rates. A start already has been made, some institutions in New York State coming down from a 4½ per cent to a 4 per cent basis. Others no doubt will follow but even 4 per cent involves difficulties under present conditions. Commercial banks also are reducing rates on demand and thrift accounts. There is little reason to believe that lower rates will to any important extent force idle money into bonds or other productive use. "Safety First" is the motto of capital at present and whether interest rates are 4 per cent or 1 per cent this caution is likely to obtain until some genuine evidence of business recovery brings a restoration of confidence.

FRANCE TAXES SECURITIES

EVERY nation for itself seems the prevailing sentiment today. Trade is scarce and each country is safeguarding that which it has been able to retain. This applies even to security trading insofar as France is concerned for by the resurrection of an old law she has recently placed a tax on trading in American securities. Of course, she is not concerned over the volume of American stocks and bonds of American corporations being currently purchased on the Bourse or even on the Stock Exchange in New York by cable, but she realizes that funds are piling up that will be destined for employment in American issues which have long been popular abroad when market conditions improve. We commend the French endeavors to protect her home industries but we doubt whether she can tax her people away from the better type of American stocks and bonds which have ranked for years with the best on the Continent.

PROTECTING INVESTORS

IT is a gratifying fact that protracted deflation, although turning the public mind to critical inspection of the existing institutions, has seen the prestige of the New York Stock Exchange mount ever higher. Even irresponsible, demagogic attack is surprisingly limited and the reason is not hard to find. Never before has the Exchange been more alert and aggressive in its endeavor to protect the interests of the investing public. It is to be commended especially upon its recent tightening of the rules governing the investment trusts whose securities it lists. Not stopping there, it has voluntarily undertaken indirect espousal of the public's cause in regard to trusts of the fixed type, whose securities it does not list and which, therefore, are not subject to direct regulation. Several billions of dollars have been invested in various types of trusts and no financial development of recent years has so badly needed safeguarding reforms. The Exchange has quickly and effectively done what would have been extremely difficult to accomplish through cumbersome legal restriction. The key note of its policy is one of demanding maximum publicity, for it quite wisely believes that corporate abuse thrives in darkness and cannot survive the light. In drawing up rules for the listing of management type trusts the Exchange holds that the inclusion of full information in trust reports is absolutely essential if the public interest is to be safeguarded. It emphasizes the fiduciary relationship between the trust and its shareholders. While fixed trusts are subject to no such direct control, the Exchange has forbidden its members to become associated with such trusts, either in sponsorship or distribution, unless the Committee on Stock List has previously determined that it does not object. Its attack centers upon the publicity and advertising matter used by fixed trusts, with particular reference to the "load" or service charge. These and all other charges above the actual market value of the underlying portfolio must be stated in terms of percentage to that market value. These rules will not guarantee the public against loss but will permit it to know a great deal more about what it is buying and that represents real progress.

BLUE CHIPS

ONE of the outstanding features in the recent decline of the stock market has been the severe deflation of some of the "blue chip" issues which appeared to have little or no ceiling in the late bull movement. It is possible that this process marks the final stage of the bear market but it would be easily possible to attach undue significance to it. It illustrates merely that all stocks ultimately have to be priced in reasonable relation to actual earning power. The investor would be well advised not to permit himself to be unduly impressed at any time by the sacred cows of the market place. The blue chips come and go. Many are the favorites of yesterday which have fallen in low estate. Some of the radical speculations of today will be blue chips of the future. American Woolen was a blue chip when American Can was a non-dividend paying speculation. Chandler Motors once thrilled Wall Street with the pyrotechnics which Auburn furnishes today. The speculative glamour which attached to Radio and Montgomery Ward in 1928 already has passed into dusty history. It is to be doubted that the majority of the spectacular favorites ever again will regain their place in the speculative sun. But there will be new ones. There always are.

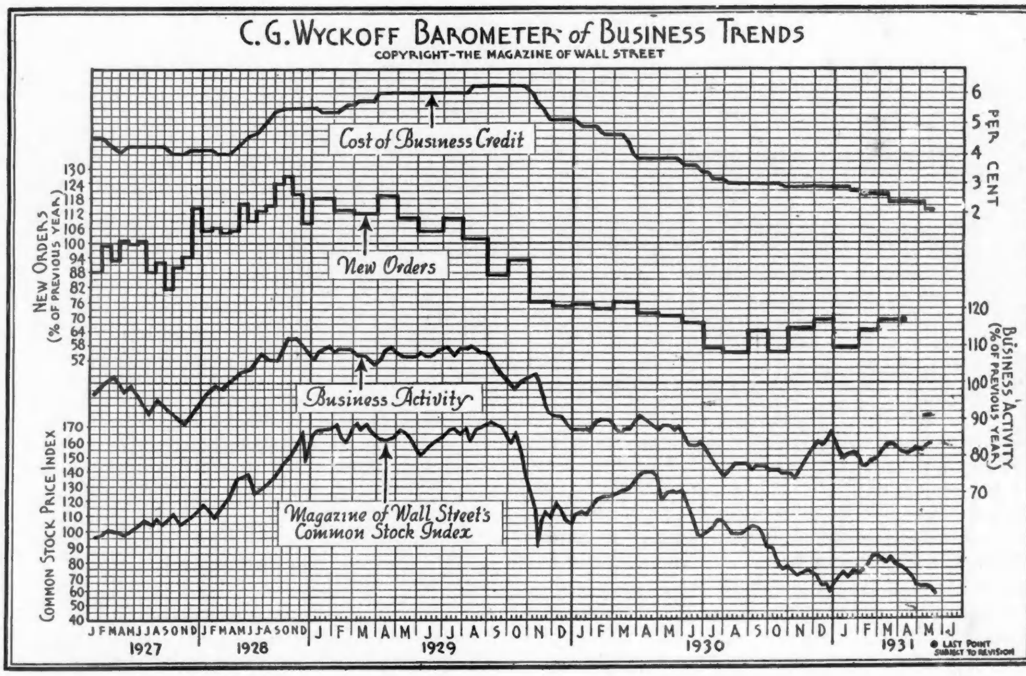
THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 151. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, May 25, 1931.

Taking the Pulse of Business

Little Progress Perceptible as Yet



WIDESPREAD lowering of interest rates, both at New York and outside centres, has followed the recent reduction to 1½ per cent in the New York Reserve Bank's discount rate. The New York Clearing House Association, after a week of hesitation, finally decided to disregard earlier objections of some of its members, and has reduced to half of one per cent the rate paid by members on demand deposits. This decision was preceded by drastic lowering of the New York Reserve Bank's buying rate on acceptances, and by action of the informal committee of bankers that regulates foreign deposit rates in reducing the interest paid on foreign time deposits independently of the Clearing House Committee. A majority of influential bankers now agree that efforts of the Federal Reserve authorities should be supported at this juncture so far as possible. The hope that these reductions might force an at least temporary repatriation of some portion of the two billions in foreign short term funds which are now serving no useful economic purpose in New York has been somewhat lessened by the recent cut to 2½ per cent in the Bank of England's discount rate; but it is expected that this move will be met soon by further lowering in the rates paid on foreign deposits. The recent strength in high grade bonds, notably U. S. Governments, leads to the hope that these latest drastic measures may eventually prove more effective than previous rate reductions in imparting greater strength to the bond market and in causing an exodus of funds into the interior where they are more needed than at this centre.

Early returns on New Orders for the next point on our graph indicate a decline, when all reports are in, which may somewhat more than cancel gains of the preceding month but it hardly seems probable despite widespread caution, that a new low level will be established. Machine tool sales, building contracts, and sales of finished cotton goods, were all below the preceding month.

In connection with drop in finished goods sales, it is, significant to note that cotton textile output is now running ahead of last year for the first time. This cannot continue unless sales pick up. Automobile production has reached its Spring peak about a fortnight later than last year. Steel continues to be the weakest cog in the industrial machine.

On the whole business is not losing ground as rapidly as this time last year, although both the curve of business activity and the stock index would indicate that it will little more than hold its own for the present.

The Big Problems Before the World

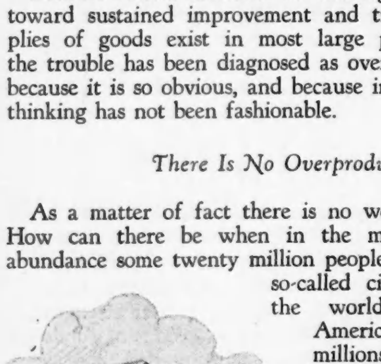
By C. G. Wyckoff

FOR more than a year and a half the thought and energies of the world have been directed toward correcting or at least alleviating the depressing conditions extant in practically all civilized countries. Yet it is a curious but obvious fact that the methods proposed to solve our economic ills have not been of a type that strike at fundamentals. Rather they seem to be political measures attempted by those to whom we look for leadership, to pacify a distressed and disillusioned world. The patient is hysterical over his condition and the hypodermics of price regulation and other devices dealing with effects, rather than causes, only prolongs his reaction, intensifies his disappointment and further disturbs his equilibrium.

Because world business is making so little progress toward sustained improvement and tremendous over-supplies of goods exist in most large producing countries, the trouble has been diagnosed as overproduction, perhaps because it is so obvious, and because in the past few years thinking has not been fashionable.

There Is No Overproduction

As a matter of fact there is no world overproduction. How can there be when in the midst of this superabundance some twenty million people are in want in the so-called civilized countries of the world — Europe and America, while countless millions are destitute and starving in China and India? *Overproduction exists only insofar as it relates to those who have the capacity to buy.* The current excess of the world's goods would vanish over-night if all those in need were suddenly blessed with the capacity to pay.



The principal difficulty in this present crisis lies in the hothouse development of speed in communication and transportation which has gone far ahead of the distribution of wealth, due in a large measure to the lack of uniformity in the requirements of the inhabitants of the globe,—different climatic conditions, economic considerations and standards of living.

Going back into the origin of the world problems at this time we come inevitably to the World War. As far as Europe is concerned, prior to that epochal conflict many of the undeveloped parts of the world were dependent upon the European countries for manufactured goods and not a few commodities. It is, therefore, ironical to observe that the very industrial and trade advantages for which the war was presumably fought were lost by the combatants for the very reason that those who formerly had been their best customers were forced to shift for themselves, to make their own goods, and enough in addition to help meet the colossal requirements of rehabilitating the Continent after the conflict, and thereby greatly increased the scope of their national economic independence. At the instigation of their governments these colonials, dependent and previously weak nations planted additional acreage, set up some simple manufacturing establishments, developed natural resources and began to take their place in competition with the countries who had supplied their needs in the past and on whose industries they had been heretofore dependent.

Moreover, with the development of speed in communications by cable, airplane, radio and wire these people who had formerly led a primitive existence learned something of the products as well as the wants of other lands and a great deal about the value of their own output. They came to know the current market prices for world commodities as rubber, silks, lumber or spices with almost the same promptness as the dealer in New York, London, Paris or Berlin. At the same time, however, the income of these natives did not increase as rapidly as their productive capacity. When the war was ended these markets no longer represented the possibilities of earlier days. Because of climatic conditions and living standards these people did not have the need to buy those of our products which produced the greatest profit. Thus Europe, by its own cupidity, greed, and nationalistic ambitions, shut herself out of the very business she had so long cultivated and developed.

Our Own Mistakes

And, in our own country we have been making just as grievous mistakes but of a different type. We had experienced a tremendous boom after the war and had quickly recovered from the setback of 1921. By 1926 we were getting close to the top of a new business boom and were possessed of tremendous wealth. This same speed of communication and transportation which had brought such changes in the rest of the world had enabled us to turn our money over with such rapidity that we acquired a surfeit of gold. We were faced with the problem of employing

¶ *To Correct Excess Production in the Face of Dire Need*

¶ *To Make Men Recognize Their Dependence One Upon the Other*

this ever-increasing wealth. To put this money to work, capital financed our greatly expanded industries way beyond the needs of the developed buying power. A wealthy and prosperous people supported this financing in the stock market. Dreams of wealth and power took hold of the imagination of the country, and everybody in it. With capital it was the desire for abnormal returns both in the stock market and from a financing standpoint. With the public it was the making of big fortunes in stocks. Industrial security issues flooded the country and it was the multiplicity of these transactions, the effort to produce a profit in utter disregard of economic values, that brought about this tremendous overproduction capacity before the distribution of wealth among the peoples of the world had taken place.

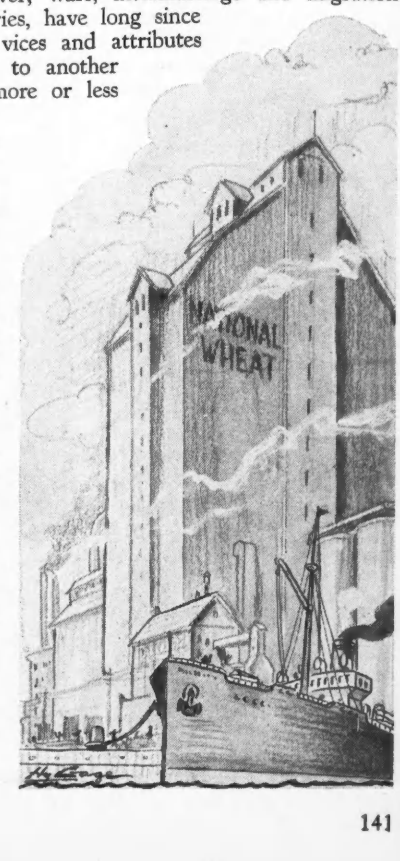
It began to be evident that the old markets were thoroughly saturated, that the so-called buying population was satiated as early as 1927. One had merely to observe the tremendous efforts that were being made to rehabilitate certain sections and groups of individuals in the hope of producing a new purchasing power. The South, whose buying power was abnormally low, was being intensively developed. Efforts were made to help our tremendous agricultural population, including some fifty million individuals who needed the necessities, let alone the luxuries of life. Our industries began to diversify their lines and endeavor to bring in new types of products. Attempts to commercialize airplanes, television, etc., for mass consumption began to be feverishly pushed, we began erecting plants all over the world in an endeavor to cultivate and develop the necessary new markets. But, it takes longer to increase the wealth of the masses and their standards of living than it does to build new factories and equip them. With the opening of our new factories abroad, Europe began to sit up and take notice. Their quarrels one with the other were sidetracked for the moment—their animosity and fear has not been lessened by peace—and they all concentrated on America, their "hard boiled" banker. The war-devastated areas had been rebuilt and Europe now entered into competition with us at home and in the other highly developed markets of the world. But the markets were not broad enough for all, particularly when every nation became intent not only on becoming self-sufficient, and supplying its own needs, but on producing an excess to dump abroad. "Sell more and buy less" is the slogan of the rapidly increasing nationalism which is weighing heavily on the world's progress.

Too Much Nationalism

It is this wave of nationalism which intensifies this present crisis and endangers the peace of the world today. Each nation is intent on being self-sufficient without regard for her neighbors. Although each recognizes the necessity of adjusting the situation, political considerations prevent the adoption of a really constructive program. Figuratively the globe is a smaller place than it was 20 years ago—even 10 years ago. No nation can live unto itself alone. It is doubtful if any land is completely self-sufficient, in addition to which the economic influences and even the politics of one nation are concurrent factors in the progress of others. We are apprehensive over the radical politics of the Soviet, France fears the machinations of the German-Austrian Anschluss or the power of Great Britain, yet each nation endeavors to seek refuge behind its own walls, smug in its temporary security, strong in its carefully inculcated superiority. In a depression, however, as in time of calamity, national snobbery has little place. This is rather a time for concerted action that is sincere. In this way much can be accomplished. The French, for example, should not forget their own humble Frank ancestry and become obsessed with the thought that in the Germans they are dealing with the primitive Hun, or look upon the Russians as Tartar tribesman or the Balkan diplomats as Slavic nomads, or on the Americans as only once removed from the culture of the colonies or the Indians.

All Human Beings

It is our observation that too much importance can be given to origin—none of which will bear too careful scrutiny. Moreover, wars, intermarriage and migration during the centuries, have long since transplanted the vices and attributes from one nation to another until all of us more or less resemble one type which we can consolingly call *homo sapiens* and forget some of our intense nationalism.



If it were possible for the world to forget its inhibitions and employ common sense in the settling of its problems, what a happy solution it would be. Possibly circumstances themselves will impart enough vision for the world to see the folly of excessive nationalism, temper the madness of jealousy and bring *(Please turn to page 188)*

Debt Cancellation Unnecessary

Germany and the Allies Can Pay, but Will They? What Will be the Effect on Business Here and Abroad?

By Theodore M. Knappen

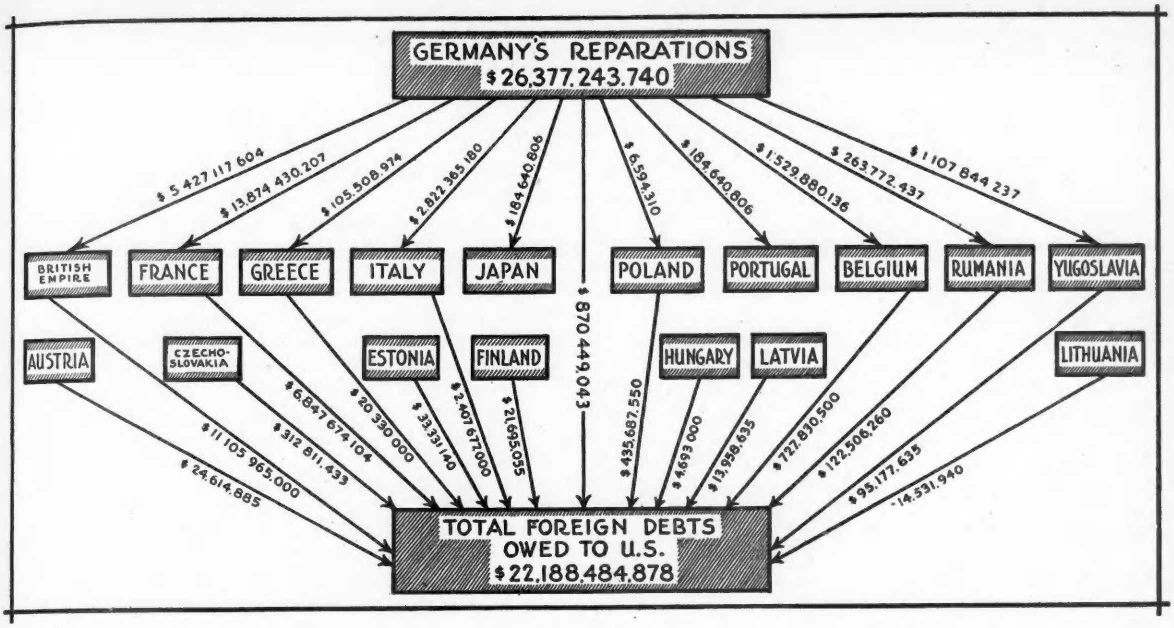
WHEN it is not the American tariff that is singled out by foreign observers and economists, as a cause of the various economic troubles of the world, especially the present scarifying depression of business, it is sure to be the German reparations and inter-allied debts; and Uncle Sam is the ultimate goat of sacrifice.

At the recent convention of the International Chamber of Commerce, in Washington, the topic that lurked in the background of thought of every delegate from Europe was that of reparations and the other political debts—but always associated with the high American tariff. It is the persistent international ghost that will not down. Suppressed for a time, it has burst forth anew as the fall of prices, the contraction of world trade, revolutions, national bankruptcies and the universal constriction of credits has made it increasingly hard and more hateful to pay than ever. For many months Germany has intimated that she must take advantages of the moratorium clauses of the Young Plan Agreement, and latterly has boldly asserted, although not yet officially, that there must be far more than a moratorium—an actual reduction of the amount of the annuities if not, also, of their number. From Great Britain have come intimations that the inter-allied debts should be re-examined and scaled down, if not cancelled. Supporting the British view stand practically all of the other political debtors.

So insistent were the European delegates to the Washington convention that notwithstanding the suppressive influence of the Administration and the active opposition of the American delegation, a resolution was adopted which without "naming names" undertook to "express frankly" "the business conviction" in favor of "an impartial examination of the effects of these international obligations on international trade, if warranted by changed economic conditions." That means that during the next year the subject will be thoroughly canvassed and afterward brought before the next meeting of the International Chamber as a major topic on the program.

The fact that the political debts were not officially on the program of the Washington meeting did not prevent the subject from being mentioned in various papers presented to the assemblage. For example, Alberto Pirelli of Italy, chairman of the Europe-United States Committee, said that the inter-allied debts "undoubtedly exercise a very notable influence on the economic situation of Europe and more especially of certain

There Would Be Less Hunger In Europe If the Bread Basket Were Better Protected



European countries. On this account, if no other, the problem is one of concern to the United States, for if our studies have shown the importance of the European market to American economy then the question of revision, either in the light of the revaluation of gold, or of the present world crisis, is one of concern not only for the debtor but also for the creditor—for the American farmer, the American wage earner, the American business man, and the American investor."

Dernburg Blames Crisis on "Political Debts"

Discussing "The Price Level and Its Underlying Consequences," Dr. Bernhard Dernburg, former finance minister of the German Reich, attributed the "stupendous fall" in prices and the world business crisis largely to the political debts. He implied that there was no way out of the trouble except to cancel or reduce them very materially. The debts, he said, could not be paid in goods because (a) by means of tariff barriers, the present creditor countries refuse them; whereas before the war the principal creditor country of the world, Great Britain, was a free trade nation; (b) both debtor and creditor countries are producers and exporters of manufactured goods, and are therefore without complementary capacity to pay and be paid.

Dr. Dernburg said the debts could not be paid through new business credits because neither the debtor nor neutral countries any longer had a capacity to borrow. They could not be paid by gold because the debtor nations were faced by the fact that gold irresistibly flowed into the coffers of the world's two greatest creditor nations, France and the United States. In their desperate efforts to get gold to pay their political debts, he said, the debtor countries sought to curtail imports, because they could not increase exports, and there resulted a general curtailment of trade and a depression of prices.

But whatever the detail of their arguments the grim fact to which all advocates of political debt revision point with increasing emphasis is the debacle of the commodity price level. That level has fallen more than fifty points, according to indices of manufactured goods since the principal allied debts to the United States were funded and about thirty points since the Young Plan "finally" fixed the amount of German reparations. As both the allied and reparation debts were fixed on the basis of the supposed ability of the debtors to pay, it is argued that such price changes demand a revision of the amounts. In other words, it is pointed out, the fall in prices means that it takes a correspondingly larger amount of national incomes to satisfy the debts.

Now, let us examine the debts of the Allies to the United States and of the German reparations. The total amount originally borrowed from the United States by the Allies was 9,850 million dollars; together with interest, when the simple I.O.U.'s of the original transactions were funded the total became 11,565 million, but the total of the annuities by which the debt was to be wiped out in 62 years, allowing for interest, amount to 22,188 million dollars.

Two Debts in Balance

The German reparations as fixed in the Young Plan settlement will total about 26,000 million, in 59 annuities, but their capitalized, or present value, may be put at 9,000 million. Capitalized at 3 per cent, the present value of the Allies' debts to the United States is 9,197 million. The two sets of debts are, therefore, strikingly similar in proportions, but the annuities are such that in the earlier years the United States receives from the Allies only about half of what Germany pays them each year. From 1966 until the last payment, all around, in 1988 the reparation annuities are precisely the same as those of the Allies to the United States. The principal items in the total funded debt of the Allies to the United States are: Great Britain, 4,075 million; France, 3,340 million; Italy, 1,648 million; Belgium, 377 million. The other regularized debtors are Austria, Czechoslavakia, Estonia, Finland, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Rumania, and Yugoslavia.

It should be noted that both France and Britain lent enormous sums, totaling more than 12,000 million dollars, to their allies, but the larger part of this vast sum was forever dissipated when the Russian imperial government was overturned, and the remainder can be assumed to be subject to elimination or reduction in correspondence to what may be done to the debts to the United States. In the meantime, receipts from them mitigate to some extent

the burden of the payments to the United States. Great Britain has announced that she will wipe out her claims, if the United States does likewise.

It's All Up to Germany

Germany is the crux of the political debt situation. If she can, and does, pay the Allies there is no question of their ability to pay the United States. They can do it and have something left over for a rainy day. The United States takes the position that the two debts have no more to do with each other than the number of swallows nesting under the overhang of a barn roof has to do with the number of shingles in the roof. The Allies do not say so officially, but actually they have no intention of paying the United States if Germany repudiates, or is let off. And they have not the slightest intention of forgiving Germany her debt unless the United States charges off their indebtedness.

Superficially, the plaint of the Germans about the impossibility of paying reparations is ridiculous. Even including present value of the reparations debt at 9,000 million dollars, Germany's total national debt is only 10.5 billion, as compared with 37 billions for Great Britain, 14 billions for France, 16 billions for the United States, and 6.5 for Italy.

The Germans say the situation would be different if their debt was internal, instead of overwhelmingly external. They cite the difficulties of transferring to foreign countries 437 million a year. In the final analysis, they say, they must yearly earn that much of a credit abroad, as they haven't the gold and can never get it. In other words, the Germans say: "If you insist on our paying these enormous sums the world must be our debtor on yearly account for goods and services to the amount of the annuity."

But here we run into the related tariff problem, for the creditor nations and all the other nations are now busily engaged in raising their tariffs, for the purpose, among others, of keeping out German goods. They don't want their markets flooded with cheap manufactures from Germany and yet they must be cheap to get in. From the German point of view, the result is a *reductio ad absurdum,* and may be put tersely thus: "There is only one way the Germans can pay and the debtor nations won't take that kind of money."

When it comes to the position of the Allies toward us, they parrot the German arguments, saying that they can't pay if the Germans renege; and that even if the Germans do pay, they will have an insoluble problem in trying to pay us in services and goods. France, with her 2,000 million dollars of gold, is a possible exception to some extent. But the rest of the Allies, as well as Germany, complain that the two big creditors, France and the United States, have corralled about all the gold in the world that is not nailed down somewhere else.

Then, again, with both the Allies and Germany there is the psychological factor to be taken into account. The Germans think the reparations debt is immoral and outrageous. They have signed on the dotted line but they have neither the will nor the moral urge to pay. It is not at all impossible that one of these days a revolutionary government will come into power in Germany and flatly refuse to pay another mark, while the mob cries, "Hoch! Hoch!"

The Allies Also Demur

All the Allies regard their debts to the Unted States as unethical, at the least. Their argument is that the war was a common enterprise and that every dollar we put up was just another shot at the common enemy. At one time the French even argued that the costs of the Allies should be pooled and pro-rated in such a manner that each nation would contribute according to its resources. But since they have wiped out about four-fifths of their internal debt by stabilizing the franc at only a fifth of its pre-war gold value, they have lost interest in the pooling arrangement. They are now quite content to let the United States pay its own war costs—and a considerable part of theirs, by cancelling the French loan. The British are probably the only nation in the whole allied group that is set to pay the "pound of flesh," but they, like the rest, consider it unjust and bitterly resent it.

So far, however, everybody who agreed to pay is paying. "It's impossible," as the Marines say, "but here it is." The Germans paid on the Dawes plan and so far they are making good on the Young plan. Altogether, including previous and funded payments, the Allies have "come across" to the United States with a total of 2,515 million dollars, of which Britain has put up 1,846 million and France 465 million.

Without pausing to go into a presentation of the reasons why the Germans and the Allies can pay, if they will, it is sufficient to say that according to the orthodox economic theory Germany can pay; and then, of course, there is no question that the Allies can pay us. On the other hand, if the Germans repudiate, the Allies certainly will also. The Allies will not use force to make Germany pay; and we will not make war on the Allies to collect their debts to us. Repudiation will be repudiation, and no dynamic answer to the hypothetical question, "What are you going to do about it?" will be forthcoming.

But the problem may take another turn and that is: Can the Allies afford to accept payment from Germany, and can we afford to accept payment from them? That is a practical question to which Americans will give serious attention, when they might be left cold by talk about the hardships of the debtors and the lack of moral sanction for collection.

Our Department of Commerce once answered the question by saying that receiving payment of debts never hurt anybody. An examination of the results of the payment of political debts in the past indicates that the answer is more laconic than accurate. The billion-dollar cash war indemnity that France paid to Germany in 1871 created such inflation and such a subsequent crash in Germany that Bismarck remarked that if he waged another victorious war against France he would insist on paying the defeated enemy an indemnity instead of collecting one . . . . Perhaps the payments on war

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¶ Don't Let the Five-Year Plan Confuse the Main Issues

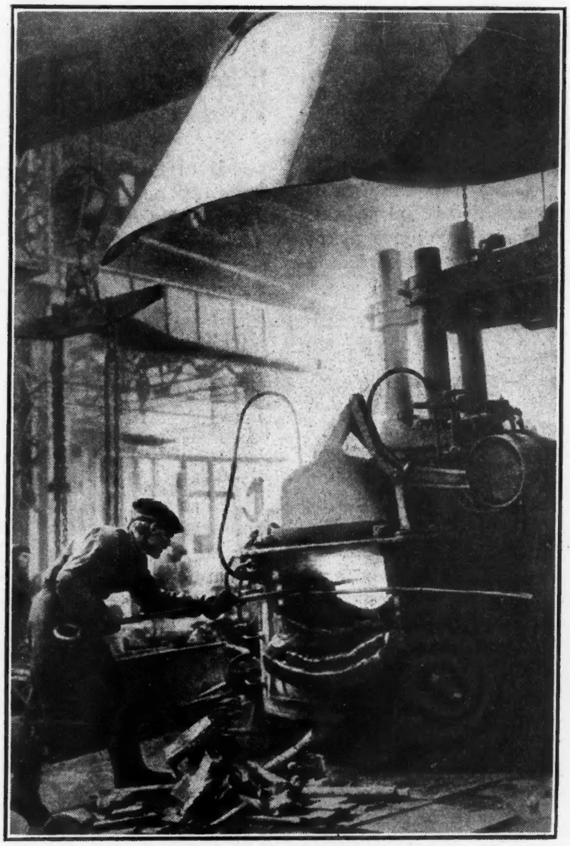
Russia Menaces Both Labor and Capital

Part II

By C. G. Wyckoff and Theodore M. Knappen

To understand the potential menace of Russia to the world it is necessary to grasp firmly the fact that that vast empire is a despotism of the most absolute type, which controls not only the political, but the entire economic life of 160,000,000 people. In place of the ideal democratic communism that was once dreamed of there has been substituted a tyrannical capitalistic state, manned by a group of resolute men intent upon personal mastery at any cost. State capitalism, rather than communism, defines the Russia of today. It is a politico-economic organization that has absolute power of life and death and of property over all of its subjects, a power which it wields collectively both internally and externally. In place of the old political tyranny Russia has a two-in-one political and economic tyranny.

Instead of the old socialistic slogan "from each according to his ability, to each according to his needs" Russia is now ruled on the principle of from each according to what can be taken from him and to each according to what the despotic state grants him. Russia is no longer a political menace to the rest of the world in the sense that it actually has made communism work but only in the sense that subtle Soviet propaganda succeeds in making the people of the world believe that communism is triumphantly marching on. But in place of that menace has come a menace of a sort the world has never known before on a large scale—the menace of the entire economic power of a numerous people wielded by a single unscrupulous control. Sovietism, by arbitrary price fixing, makes normal competition impossible and by its trade robs bread from the mouth of labor all over the rest of the world. In place of the multitude of competing capitalists in other nations the state has become the one and universal capitalist. Through its grip on the economy of the nation the government is now receiving, plus taxation, about 66 per cent of the entire national income. Not content with mastering Russia the Communist party, which is the real government, dreams of the extension of the Soviet Union to include the entire world. The very name Union of Soviet Socialist Republics—U. S. S. R.—with no mention of Russia is not without significance.



Most Modern Machinery is Being Installed, as Typified By This New Electric Furnace

Russia's Relative Industrial Standing After Consummation of Five-Year Plan

	U. S. S. R. (1932-33, Last Year of the Plan)	United Kingdom (1929)	France (1929)	Germany (1929)	United States (1929)
Coal ....(mill. tons)	75	269	55	163	546
Oil ....(" ")	22	—	—	—	144
Iron Ore ....(" ")	19	11	49	7	73
Pig Iron ....(" ")	10	8	10	13	43
Crude Steel ....(" ")	10	10	10	16	56
Electric Power......(bill. KWH)	22	9	11	16	120
Cotton Industry....(mill. spind.)	10	57	10	11	35

While on the one hand we have a militant politico-economic unit which is described by one of its spokesmen as "The grave-digger of capitalism" we have on the other hand a divided outside world which is

Principal Russian Exports

	1928-29 (Metric Tons)	1929-30 (Metric Tons)
Wheat	1	922,962
Rye	370	333,145
Barley	....	795,658
Fish	27,794	35,118
Lumber and Products	4,778,105	7,367,743
Sugar	35,183	108,260
Oil Cake	229,387	336,029
Manganese	899,969	874,518
Coal	1,150,629	1,799,219
Oil	3,642,114	4,454,863
Matches	18,040	21,101
Beans, etc.	96,104	53,446

Russia's principal markets, in order of importance, are Great Britain, Germany, Latvia, Italy, Persia, United States, France, Holland, Belgium, British Colonies, Chinese Turkestan.

daily contributing its materials, its credit and its brains to the upbuilding and strengthening of that unit For the sake of immediate profit the capitalists of the world are actually creating an economic Frankenstein monster which seeks to destroy them and bring chaos into the world. Already the willingness of the Soviets to sell oil, wheat, cotton and numerous other commodities at ruinous prices has been forged into political weapons by the quarrelling and jealous nationalistic powers of Europe.

A Future Threat

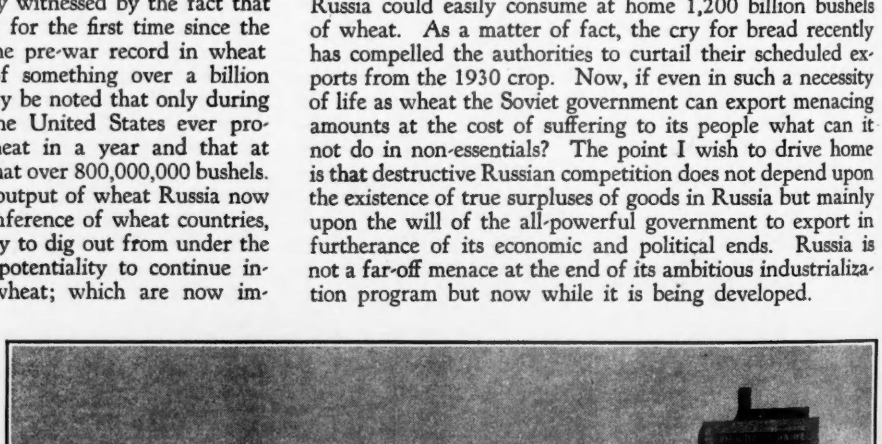
The progress of the Five-Year Plan in agriculture is solidly witnessed by the fact that Russia in 1930, for the first time since the war exceeded the pre-war record in wheat production, with an output of something over a billion bushels. For comparison, it may be noted that only during the supreme war effort has the United States ever produced a billion bushels of wheat in a year and that at present its crop averages somewhat over 800,000,000 bushels.

With its great and growing output of wheat Russia now appears at the international conference of wheat countries, met in London to find some way to dig out from under the mountain of wheat, with the potentiality to continue indefinitely the low prices of wheat; which are now impoverishing millions of farmers in Canada, Australia, the Argentine, the United States, India and the wheat growing countries of Europe. The threat is scarcely veiled that unless the other wheat exporting countries concede Russia her desired quota of exports and, further, assist her to procure the foreign credits that she needs to carry out the five-year program, the world may expect continued demoralization of its markets by Russian dumping. At the meeting of the European Union Commission of the League of Nations, Maxim Litvinoff is even audaciously seeking to legitimize Russian dumping by an international agreement not to sell abroad for lower prices than at home, the joker being that only Russia can manipulate domestic prices at will. These developments amply confirm the information I received in Europe, which was then viewed with skepticism even in well-informed quarters, that the meeting of the commission might lead to a most critical clash between the Soviet government and other governments of Europe.

At London, Lumbirov, Soviet Deputy Commissar of Trade, is already skating on the thin ice of offense to other nations when he tells them that no plan to restore the price of their wheat shall be permitted by Russia to "lower the standard of living of the working masses," although this is exactly what the Soviets are doing. In other words, Russia seeks to pose as the food provider for the European masses, whose capitalists are represented as seeking to make them pay more for bread.

Wheat a Vivid Example

The Russian attitude on the international wheat problem is a vivid illustration of what the tyrannical political and economic power of the Soviet government can accomplish. In considering Russia everything must be viewed as upside down. According to our formulas of thought and practical economics Russia could not cut much of a figure in world markets until she had plentifully supplied her own people with the indigenous products of their country. The requirements of 160,000,000 people, if equalized with those of the United States, would increase consumption about eight times. But even while they are still rationing bread to the city people the Soviet authorities are exporting wheat. Russia could easily consume at home 1,200 billion bushels of wheat. As a matter of fact, the cry for bread recently has compelled the authorities to curtail their scheduled exports from the 1930 crop. Now, if even in such a necessity of life as wheat the Soviet government can export menacing amounts at the cost of suffering to its people what can it not do in non-essentials? The point I wish to drive home is that destructive Russian competition does not depend upon the existence of true surpluses of goods in Russia but mainly upon the will of the all-powerful government to export in furtherance of its economic and political ends. Russia is not a far-off menace at the end of its ambitious industrialization program but now while it is being developed.



The State Industry Building at Harkov, Which Houses the

Out of her scarcity Russia is actually buying from us and other nations the materials and equipment and getting the credits wherewith to destroy us, if we are to believe her spokesmen. It is American tractors and American engineered tractor and other farm machinery plants that have made a success of the Russian state and collectivized farms. It is a sardonic fact that the International Harvestor Co., whose president, as recent chairman of the United States Farm Board, has striven earnestly to curtail wheat production in the United States, is responsible more than any one other agency for Russia's ability to export wheat and depress world markets. Thirty thousand tractors and 2,000 combine harvestors, costing 145 million dollars, have just been shipped to Russia.

We must now recognize the fact that Russia is likely soon to be exporting 300,000,000 bushels of wheat a year. The collective and state farms—now 60 per cent of the farm area—assure much larger outputs than the old peasant farms and enable wheat to be taken from peasant control and disposed of by the Government, which can allocate a certain portion to domestic consumption and the rest to export. Russia is about to export more wheat than the old regime did, but with far greater flexibility as to price. There seems to be no reason short of a general breakdown of the system, why Russia cannot supply most of the import requirements of the world, and that soon.

This prospect seems to spell black ruin for such countries as Canada, Australia and the Argentine, to say nothing of the wheat surplus countries of Southeastern Europe, in whose export trade wheat now bulks so large. It will seriously affect the United States for some time, but we are already headed toward the adjustment of wheat production to domestic consumption.

According to official Soviet figures the entire area under crop this year is 140.42 million hectares (a hectare is equal to 2.471 acres) and will be about a million more next year, as compared with 112.96 million hectares in 1928. Previous to that year post-war grain exports were negligible or gave way to imports, and as late as 1929 the marketable output of grain was only half that of the pre-war figure. The area covered by mechanized agriculture was 10 per cent of the whole year, 20 per cent this year, and will be rapidly increased. Exports of American agricultural machinery to Russia last year were 67 million dollars, an increase of 138.5 per cent over the preceding year. Russia is now our best market for this class of goods. Yet it is undeniable that by taking aggressive advantage of it, we are arming Russia to ruin our grain trade.

Russian Progress in Production

	1913	1929-30	1931 (Est.)
Power....................(mill. K.W.H.)	1,945	7,714	12,700
Coal..................(mill. metric tons)	28.9	46.7	83.6
Oil...................(mill. metric tons)	1.55	17.4	27.5
Pig Iron.............(mill. metric tons)	4.22	4.97	8
Rolled Steel..........(mill. metric tons)	3.51	4.48	6.7
Agricultural Machinery.....(mill. rubles)	67	290.23	....
Cotton Cloth..............(mill. metres)	2,375.2	2,419.9	2,835
Railway Freight........(bill. tons-K.M.)	65.7	133	186.4
Foreign Trade.............(mill. rubles)	2,894.1	2,071	....
Grain ....(mill. centners)*	801	873.6	978.6
Sugar Beets............(mill. centners)	109	151.7	214.4
Raw Cotton.............(mill. centners)	7.4	13.5	21
Total of Industrial and Agricultural Products.....(mill. of pre-war rubles)	16.59	26.55	....

*A centner is 220 pounds, or one-tenth of a metric ton.

Now Comes the Doom of Cotton

We may dismiss the subject of wheat by saying tersely that Russia has already disposed of all hope that the United States will ever again be able to find a profitable market abroad for any portion of its wheat crop—barring of course, a general disaster to world wheat crops. Now comes the attack on cotton which almost without exception has been for decades our greatest export item, amounting to as much as 900 million dollars a year. The area allocated to cotton by the Five-Year Plan for the year 1931 is 2,300 million hectares —almost three times that of 1928. In consequence of the expansion of the cotton output Russia's imports of raw cotton from all countries fell from 133,000 metric tons in 1928-29 to 68,000 in 1929-30. Exports of American cotton to Russia fell from 289,000 bales in 1929 to 81,000 in 1930. Already, Russia is virtually independent of American cotton and, while she is still short of sufficient domestic cotton of some grades for her own requirements she sold 200,000 bales to England in January and February, of a quality corresponding to Texas middlings at half a cent a pound under American prices, and there is every likelihood that we will lose a 500,000-bale order for English consumption next year. While Russia has a surplus now of medium staple cotton, the fact that no exports were made until early this year and then only during a short period, would suggest that this is another instance of the Soviet's willingness to divert needed material from domestic use in order to obtain the foreign credits the Five-Year Plan's success demands. Indeed, E. Y. Kadik, vice-president of the All-Russian Textile Syndicate, a governmental institution, recently stated that, with the Russian per capita consumption of cotton cloth

Executive Board of Trusts and Other Industrial Institutions

only one-third of such consumption in the United States, it would take a tremendous increase in cotton cultivation "before we shall be able to satisfy the rapidly growing demand of our own population." And yet Russia is actually exporting cotton cloth, even to England and the British colonies; and, characteristically, in violation of agreements. Here again we have an illustration of the disturbing possibilities of a merciless economic machine which can at will cut down consumption of necessities at home in order to sell abroad. Our profitable wheat market abroad is seriously affected and cotton, mainstay of economic life in the South, will soon share a similar fate, if the non-Russian world shall continue to submit meekly to uneconomic Russian dumping. With wheat and cotton out of the foreign trade picture, the outlook for help to restore prosperity from that source becomes very obscure. Here again we face the ironical situation that it is American brains and agricultural and textile machinery, supported by American banking credit, that are building up the competition that is creating havoc.

A HOLLOW BOAST

"Russia alone is not suffering from the unemployment crisis,—Soviet purchases are continually increasing," boasted Maxim Litvinoff, Export Commissar of the Soviet, at the recent meeting of the League of Nations Committee on European Economic Union, which he attributed entirely to capitalistic over-production—using a world stage to spread communistic propaganda.

The answer is that any under-developed nation of 160,000,000 people which undertakes to transform itself from a primitive state to one of advanced industrialism in a period of five years, should naturally be in a position to provide employment for all of its people. And the condition of the Russian people who are so weak and inefficient that it takes twice as many of them for a given job as would be needed in America, whose standard of living is pitiful,—points to the fact that the Soviets have not done their job very well at that.

While the United States is a sugar importing country it is profoundly interested, through investments and the markets of the sugar exporting countries, in the establishment of a fair price for sugar. That end is sought by the recently consummated Chadbourne plan—but Russia is not a party to it. She remains free to dump real or artificial surpluses, as she pleases. Actually Russia has recently exported large quantities of sugar while at the same time buying two million pounds of Cuban sugar through a British firm. This paradox furnishes another sidelight on the unscrupulousness of Russian trade methods. It also illustrates the alertness of the Russian traders, for it appears that the Cuban sugar imports were financed by the British Government Exports Department credit guarantee. In other words, England is financing Russia to buy Cuban sugar at the same time that Russia is exporting sugar (to India, I am informed) uneconomically, in order to obtain other credits. In sporting parlance, this is playing both ends against the middle with a vengeance. No ordinary individualistic trade processes can cope with it.

Revenge of the Kulaks

The "liquidating" of the kulaks (prosperous peasants) in favor of the state and collectivized farms, on the other hand, has resulted in a tremendous setback for animal husbandry. Scarcity of funds and enforced crop specialization has in many cases drastically reduced the necessary fodder for farm animals. The number of work horses has declined in the last two years by about 21,000,000, although possibly attributable to the introduction of tractors; the number of milch cows has declined 3,000,000 in the same period, and the number of sheep has fallen from 133 million in 1928 to 100 million in 1931. In this period, too, the number of hogs fell off about 7,000,000 or 30 per cent. The use of fertilizers has about trebled in two years and the number of farm tractors has doubled.

The speed at which Russian industrialization may proceed is largely determined by the extension and improvement of the transport systems. The Five-Year Plan calls for 90,000 kilometers of railway by 1933 as against 76,000 in 1927, and although only 3,000 kilometers had been added up to the end of 1930, a vast amount of reconstruction was accomplished. During that period the freight traffic was more than doubled, and that was virtually true of the passenger traffic. Russian highways are mostly in the blueprint stage. In October, 1929, there were only 41,000 kilometers of roads of all descriptions that were passable for automobiles. It is hoped to raise this to 360,000 by 1933. Inland waterway transport has been slipping but now the Soviet is making one of its "shock troop" drives on that "front." The revised Five-Year Plan calls for six times the tonnage of 1928 and involves the construction of a number of important canals.

The merchant marine is somewhat smaller now than it was in 1913 but it is to be six times as large, according to the blueprints and conversations, by 1933. Actually, however, the ship building problem is not so serious for Russia suddenly seems to have ample foreign bottoms in which to ship her commodities to the ports of the world. The depression and resulting drop in ocean borne commerce has even improved this situation in that it has overcome the reluctance of any foreign ship-owners to carry Russian goods.

Russian Oil as a Disturbing Factor

Notwithstanding ambitious hydro-electric developments the rapidity of the industrialization of Russia must depend very largely upon the exploitation and utilization of the country's large deposits of coal and petroleum. The best available information indicates that the progress in coal production, while large, is falling short of the plan. Nevertheless, under the demand for gold credits, coal is being exported.

In 1931 Russia produced only nine million metric tons of crude oil; according to the official report the output was 17 million tons last year and is slated to be 27.5 million this year and 46 in 1932-33. Already, the five-year objective has been surpassed. Exports, put at 4.55 million tons last year, are about five times what they were before the war. No phase of the Russian dumping policy has attracted more attention and caused more international concern than

(Please turn to page 189)

¶ In 1930 American customs revenue were only 16% of the total value of all goods imported.

¶ Great Britain boasts of free trade but actually collects revenue duties that practically equal the income of the U. S. from duties.

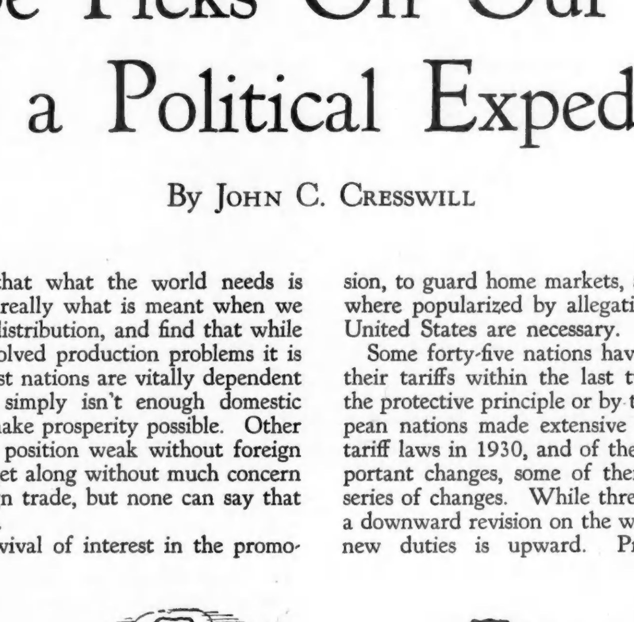
Europe Picks On Our Tariff As a Political Expedient

By JOHN C. CRESSWILL

EVERYBODY agrees that what the world needs is more trade. That is really what is meant when we talk about improved distribution, and find that while the world has pretty well solved production problems it is archaic in distribution. Most nations are vitally dependent upon foreign trade; there simply isn't enough domestic trade in some countries to make prosperity possible. Other nations find their economic position weak without foreign trade. A few nations can get along without much concern about extending their foreign trade, but none can say that they could dispense with it.

Simultaneously with a revival of interest in the promotion of foreign trade there has come a universal fever of high and higher tariffs. Proclaiming loudly that world trade must be increased if world prosperity is to be restored and enhanced, all the nations are engaged in raising higher the tariff barriers to the free flow of trade.

It is the fashion to brand the United States as the villain in the tariff drama and to accuse it, by the example and challenge of its 1930 tariff act, as being the nation that started the new high tariff race. Doubtless, resentment that the possessor of the greatest market in the world should seek to protect it more effectually than ever had something to do with the waves of tariff boosting that have passed over the world in recent months. But the principal cause of tariff elevation has been a universal desire, prompted by the world-wide depression, to guard home markets, although the process is everywhere popularized by allegations that reprisals against the United States are necessary.



Average Ad Valorem Equivalents of Duties Collected in Different Countries, Calculated On the Value of Total Free and Dutiable, for 1928 or 1929 (United States, 1930.)

Some forty-five nations have made important changes in their tariffs within the last two years. Moved either by the protective principle or by the need of revenue, six European nations made extensive or general revisions of their tariff laws in 1930, and of the others all but two made important changes, some of them indulging in two or more series of changes. While three of these six countries made a downward revision on the whole, the general trend of the new duties is upward. Protective agricultural duties were the chief concern with most of the tariff sculptors, but while they were about it many of them found it necessary to make equalizing or "hush" changes of schedules affecting manufactures. Besides changes in duties, the exigencies of the depression led some of the countries to introduce more or less novel schemes to increase exports of the same goods that were being safeguarded in the home market; some of them being outright export bounties.

To complicate the situation still further, there was an immense amount of reciprocal change negotiation between European nations, all of them desperately seeking some country or countries that would favor what they most needed to export in return for complimentary favor. In addition, there was and is an immense amount of pettifogging

over administrative regulations, which were usually designed in the first instance to make imports a hazardous game of gauntlet-running.

The United States may be the "big shot" in high protective tariffs, but it is comparatively free from the devious, not to say meanly tricky tariff ways of our European friends. Concealed tariff agreements, particularly favors, friendly rakeoffs, and all that sort of thing are utterly unknown to American tariff practice. For instance, there is at this very moment a despicably petty understanding between France and Czechoslovakia whereby France gets a special underhanded preference on the 125 automobiles a year she exports to the latter country and American cars are virtually barred out. Another oblique European way of dealing with tariff duties is to forbid certain imports, except for the issuance of special permits, said permits always being given exclusively to the nationals of certain favored countries and never to Americans.

Another general handicap to American trade when it tries to bore through the thick, hard and often high, tariff walls of the European countries is the prevalence there of maximum and minimum rates in tariff schedules. As the United States has but one rate for all comers at all times, it never gets the benefit of the minimum rate of other countries, the latter blandly assuming that any American tariff must be maximum. Then, again, while some of the European countries, France, for instance, can show a comparatively low average rate of tariff duties, much lower than ours, it is almost invariably found that, specifically, the highest duties apply to American products. An average tariff rate of 7.84 means nothing to an American automobile manufacturer when he finds that the duty on his cars is 45 per cent. Nor does it mean anything to the American wheat grower when he finds that his outlet in France is restricted by quota limitation and checked by 100 per cent tariffs.

Tariffs Made by Bureaucrats

Still another sophisticated way our European friends have developed of tramping on the corns of Uncle Sam, while posing as friendly to fair and low tariffs, is suddenly to pull an ace out of the hole in the shape of a brand new special tariff whenever an American industry has built up a covetable trade opposite some thitherto low spot in the tariff wall. Still another way is such infinite detail of classification of goods subject to duties that the poor American exporter goes wild untangling their intricacies and often gives up in despair (which is just what our goods friends across the water intend), when if he could find the key he could wiggle in quite happily, until he was found out. Then, presto! another rate or classification change. It takes some 800 pages to record the meanderings of the French tariff schedules, and nobody knows how many thousand pages to explain them. Another cheerful thing for the American exporter to France is that even if he is merely handling in transit goods, say Mexican, which enjoy France's minimum tariff rates, he wakes up to find that because the goods passed through the United States they are doused with the cold water of the maximum rates that are reserved for Uncle Sam. Or perhaps he runs up against such a provision as that goods produced north of the 60th parallel are admitted at one rate and those south at another. Then again he is confronted by the general policy of France of making its commercial empire coincident with its territorial empire.

So rapidly, it may be remarked parenthetically, is the French empire developing commercially and industrially that there are even some French publicists who hold that France can well afford to forget Briand's great scheme for the commercial unification of Europe and cast her lot entirely with the colonies.

So complex, oblique and administratively controlled have continental European tariffs become that the general tariff laws have almost ceased to be operative. The result is that profound changes can be made by a sudden departmental order, orders in council, or some quirk of intepretation, change of classification or what not. It keeps our Department of Commerce's tariff division busy just keeping track of and publishing the almost daily tariff alterations that take place in Europe and other parts of the world. Such commonplace changes rarely excite much attention.

But when the United States changes it tariff laws it is an enterprise which is first proclaimed to the world for a year or so before it is undertaken. Then perhaps Congress takes six months or a year more to discuss the new law, schedule by schedule. The whole world looks on and is fully advised. Presently, what in any other country would be a trivial domestic affair, so far as world interest is concerned, becomes an international event, and the new tariff is denounced as another assault by the greedy American hog upon the kindly fair traders of the world. Thus, during the enactment of the tariff law of 1930, the other nations became so "het up" that thirty or forty protests were filed with the state department, many of them from nations favoring the most advantageous tariff rates and administrative methods. And when the law was passed it was universally received abroad, and largely so at home, as the consummate type of the world's worst tariff extremism.

U. S. Tariff's Best Feature Ignored

In the general indignation and fuss and fury it was overlooked that the enlargement of the powers of the Tariff Commission were a sweeping offset for the increased rates, even for rates that were not disturbed or even lowered. The Tariff Commission has the power, after due investigation, to recommend to the President the alteration of any tariff rate, upwards or downwards, to the extent of 50 per cent, and the President can then establish the proposed rate as low, without reference to Congress. Thus the tariff is made flexible, but entirely without the arbitrary secrecy and surprise features of the flexibility of many foreign tariffs. The intention to make the investigation is published and public hearings are arranged.

Perhaps the most far-reaching and certainly the most novel power of the Tariff Commission is that which permits and encourages foreign governments and their nationals to appeal to it for tariff changes, and present their cases in as great detail and with as much freedom as if they were American citizens. Not only that, but they may appear in support of or in opposition to changes sought by American citizens on exactly the same footing—not of privilege but of right. This is something that not even Canada allows to Americans—and no other nation, so far as known, would even consider such a proceeding. The innovation is so contrary to usual international formality, dignity and red tape that there has been much difficulty in convincing the other nations of its good faith and actuality. The Tariff Commission has even made a special point of explaining its authority to the foreign legations and embassies in Washington and acquainting them with their rights and advantages under the law. In view of the general protest against the new law, it is somewhat surprising that only four nations have so far undertaken to avail themselves of them. One reason, perhaps, is that the nations have so generally been engaged in hoisting their own tariffs that they have not had the time or conviction of consistency to ask for a lowering of Ameri-

(*Please turn to page* 188)

Etching by E. H. Suydam, Courtesy J. Assenheim & Son

Is Market Psychology Reaching Extremes?

Public Pessimism, Whether Illogical or Overdone, Imparts a Bearish Momentum Not to Be Ignored

By A. T. Miller

THE fourth major slump of the bear market, beginning from the peak of the spring rally, has lasted more than three months. In duration and percentage of decline it roughly matches the period of acute liquidation of the closing months of last year. Whether there be any reliance on precedent or not, it is the normal thing for such a movement to give way to more or less extensive technical recovery or at least to a restful interlude of inaction, and for this reason recent developments focus financial attention upon the question whether any early change of trend may be expected.

Logically, the latest important phase of decline and the establishment of the chief stock groups at new lows should offer an increasingly more reasonable suggestion that we may be nearing the culmination of the basic downtrend. Yet it is perhaps significant that there is now no such speculative inclination to anticipate a fundamental turn in business or the market as existed when stock prices rebounded from the temporary bottom of last December. There is little expectation in the financial centers of any more substantial relief than a minor rally or a few weeks of dullness and irregularity. The market is confronted with an increasing public comprehension of the distressing magnitude of the necessary economic adjustment, forcing the professional element to wonder whether even an autumn rally, unless accompanied by definite evidence of a basic

turn in business, would not be regarded with considerable skepticism.

Under these circumstances, it would be easy to employ the familiar speculative argument that such a unanimity of bearish opinion, with even the "small fry" convinced that the road to quick wealth lies on the short side, is necessarily vulnerable, perhaps as vulnerable as the opposite psychology proved to be in 1929. Certainly it is worth bearing in mind that a virtually unanimous speculative conviction as to market trend usually proves wrong. It can be taken for granted that thousands of speculators, including many who lost money on the bull side in 1929 and 1930, will again pay the piper in the ultimate undoing of the shorts.

It appears that the risk involved in awaiting convincing evidence of a basic turn in business remains small in comparison with the dangers either of further economic changes or the sheer momentum of deflation.

It is not possible, however, to hold, merely because of the existing unanimity of bearish sentiment, that the immediate judgment necessarily is wrong. Basic readjustment may or may not be nearly complete. The prime point for the potential investor is that uncertainty in this regard continues. Furthermore, it is almost equally important in the very practical matter of dollars and cents, to realize that it is utterly impossible to determine in advance the even approximate extent to which bearish psychological momentum will carry. For the first time since the 1929 crash we appear to have an actual reversal of the bull market attitude. Severe reaction no longer brings a rush of bargain hunters. Rallies are regarded with less hope, with an increasing number of persons apparently convinced that they constitute merely an improved opportunity for selling.

Quite possibly this situation is absurdly illogical but it is a fact to be faced. A mob psychology of rampant enthusiasm carried the late bull market many months beyond the point of economic logic. Whether the present opposite mass psychology is ill-founded or not—and the point is debatable—it is a practical factor not to be ignored. Many investors have already suffered losses through a premature fear of "missing the boat." Yet in the very basic and inclusive nature of the decline the development of an overnight bull market is obviously out of the question. Accordingly it appears that the risk involved in awaiting convincing evidence of a basic turn in business remains small in comparison with the dangers either of further economic changes or the sheer momentum of deflation.

Liquidation Still in Progress

We have an interesting situation also in that for the first time since the bear movement began a period of severe reaction seems to have effected no substantial improvement in the technical position of the market. There are various reasons for this. The most important unquestionably is that outright "box selling" and liquidation of bank collateral loans have assumed increasing proportions as compared with the usual cleaning out of commission house accounts. This means that at a time of exceedingly limited demand the supply of real stock for sale has increased, enabling shorts thus far to cover their commitments without difficulty. Due to lack of demand, the recent small volume cannot be regarded as a bull point. A limited volume of offerings appears to have as much depressing effect as larger offerings in earlier stages of the decline. Nor is it possible to assume that the movement is dictated by professional bears any more than heretofore. It is only the presence of liquidation that denies to the market that inherent "snap-back" quality associated with previous reactions. Because of it, the rallies continue to be brief and feeble.

However varied may be the sources of and motives for liquidation, it is probable that one of the most serious difficulties confronting the market has not yet received adequate public attention. This is the crucial problem of the railroads, as reflected in the disheartening decline of railway stocks and of many secondary rail bonds. It is more than speculative coincidence that the basic market trend for more than a year has been most accurately indicated by, if not dictated by, the action of the carrier shares. If the railroads are not hauling freight who can be doing business?

Rail stocks failed to participate importantly in the false recovery of the spring of 1930. They played a leading part in the slump of the following autumn. Their subsequent sharp rally, based largely upon public announcement by President Hoover of the plan of Eastern consolidation, had much to do with supporting the professionally manipulated advance of last January and February. The rail group led the decline from the February top and was the first to strike a new bear market low.

The Barometric Rails

And it was the rail group again which snuffed out the rally induced by establishment of the record-breaking rediscount rate of 1½ per cent by the Federal Reserve Bank of New York, its weakness dragging down industrials and utilities in a joint demonstration that the underlying bear movement continues. The spotlight of speculative attention, it is true, has shifted constantly, focusing now upon the distress of United States Steel, now upon American Can in its race to beat Steel under 100 and again upon acute weakness in American Telephone. Behind the varied performance, however, is the unchanging background of persistent liquidation of the rails, a load which Wall Street thus far is unable to shake off. And the growing conviction that improved market action by the rails is essential to general recovery is by no means the hocus-pocus of superficial speculative reasoning. The conditions essential to a recovery in rail earnings and rail stocks are precisely the conditions requisite to general business revival.

It is more than merely a dramatic incident when the market staggers under the impact of New York Central's first quarter earnings report, which shows a deficit after fixed charges of \$144,913 as compared with a surplus of \$8,452,688 in the first quarter of last year. Here in cold figures is painted the distressing position of one of the country's strongest and best known transportation systems. When the premier rail stocks can break 4 to 10 points in five hours of trading it is a signal demanding attention.

It would be virtually impossible to exaggerate the importance of the railroads in their relation to the economic fabric of the country. The shrinkage in rail earnings brought about by depression and by competing forms of transportation is necessarily one of the major factors bearing upn the hope of business recovery. The investment of capital in the railroads amounts to \$26,000,000,000. The roads buy approximately 23 per cent of the bituminous coal we produce, 19 per cent of the fuel oil, 20 per cent of the timber cut and 17 per cent of the iron and steel.

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Commerce Underground

The Steady Expansion of the Pipe Line Network for Transportation of Oil, Gas and Other Products Is Proving a Boon to Some Industries and a Disadvantage to Others

By Ralph L. Woods

THE fact that oil, gasoline, and natural gas are being transported in ever larger volume from their respective sources through pipe lines to near and distant markets is to state simply a familiar condition. Not so simple, not so widely recognized or understood, is that this apparently uneventful development is having important repercussions, both favorable and unfavorable, in such other and dissimilar fields as the railroad, steel, motor, coal, railway equipment and shipbuilding industries.

More than 100,000 miles of oil pipe lines and 80,000 miles of natural gas pipe lines are in operation in the United States today. In addition many thousand miles of new lines for oil and gas are either projected or under construction. It has been estimated that the oil pipe line companies, and companies engaged in the transportation of oil, have invested in these pipe lines and their equipment more than 2 billion dollars, and an additional 2 billion dollars has been poured into the natural gas industry, a large part of which has been expended for pipe lines. The 1930 operating revenue of crude oil pipe lines alone exceeded 250 million dollars. Thus, considered purely from a transportation angle, the piping or transportation of these products constitutes a vast industry.

Twenty companies representing 90 per cent of the 12-billion-dollar oil industry control the majority of these pipe lines. These companies include the ten Standard companies: Continental, Cities Service, Gulf, Phillips, Tidewater, Union Oil, Pure Oil, Shell Union and Texas.

Under the law pipe lines engaged in interstate commerce are common carriers and therefore must take any man's oil at uniform rates for all, including those owning the line. Furthermore, their records and actions are subject to the scrutiny of the Interstate Commerce Commission. This regulation has not, however, been as extensive or as close as that to which the railroads are subjected.

The continued usefulness and expansion of these veins of the oil industry are more clearly established when their economy of operation, their speed in transporting and their indispensability to the oil industry are emphasized. Moreover, because they are always filled to capacity they offer the oil industry a readily available source of oil. At present 16 million barrels of oil, enough to fill a tank car train 40,000 miles long, is contained in these transport pipes, where it is safe from fire, wreck, damage and delay.

The principal advantage of pipe lines over other media for transporting oil is not difficult to recognize. First, the pipe line is concerned with only one general commodity: petroleum and its products. This being a liquid, or a gas, it can be pumped from point to point at a surprisingly low cost. Once it gets into the main trunk lines from the gathering or secondary lines, the traffic has a through run, unhampered by lengthy stops for switching, making up of trains, block signals, grade crossings, and other delays to which freight trains are constantly subjected. No large force of men is required for the efficient operation and maintenance of the pipe line system.

Loading is no problem. The oil is poured into the line at the well, if it is crude, or at the refinery if it is gasoline. It swirls along to its final destination aided by pumping stations located every ten to thirty miles along the system. Why the pipe line can transport crude oil and gasoline for at least half of what the railroads charge for movement in tank cars is thus readily apparent. To state the matter more specifically, the cost of moving a barrel of oil from the Oklahoma fields to New York City by railroad at present is slightly more than $2. The same barrel of oil can go by pipe line for only 76 cents. In view of this one cannot blame the railroads for their concern over the rapid spread of pipe lines.

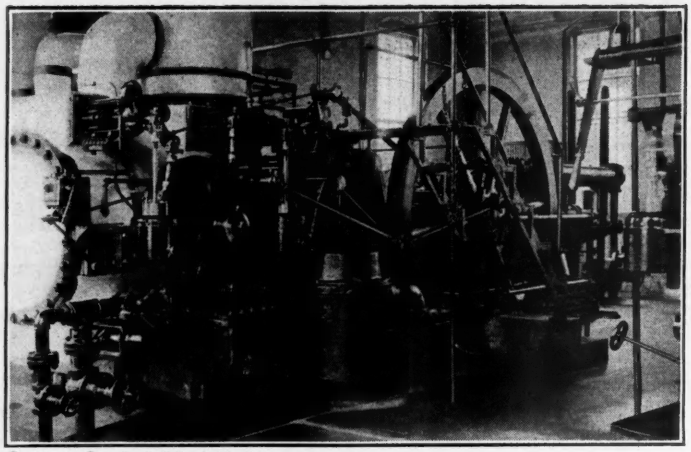
The whole problem and controversy between the pipe line

Courtesy, A. O. Smith Mfg. Co.

A Vein of Industry Under Construction

operators and the railroads abound in so many and conflicting theories and viewpoints that there is here no disposition to add to the plethora. But it is necessary to our purposes to sketch in broad strokes the general situation and its more obvious implications.

It is important to recognize that the oil industry is one of the railroads' best customers. Petroleum ranks first among rail shipments of manufactured products. In 1929 it constituted 5.6 per cent of all railroad freight and actually increased over previous years whereas all carload traffic, including petroleum, decreased 9 per cent during the same year. Furthermore, the freight rates on petroleum products averaged $5.32 per ton, second only to the average rate of $6.26 per ton paid on perishable agricultural products. In handling petroleum products the railroads benefit because most of it moves in the 145,000 tank cars which the oil companies either own or lease. The railroads own only 8,150 tank cars.



Courtesy, Standard Oil of N. J.

The Motive Power Behind the Oil. A Modern Pumping Station

When Gasoline is Piped

In view of these facts one may well inquire, "Then why all this agitation by the railroad?" In a word the answer is "Gasoline."

Until a year or so ago pipe lines were used only to carry crude oil from the well to the refinery. Most crude oil moved this way. As a consequence gasoline from the refinery made up the bulk of the rail petroleum traffic. Now that it is practicable to move gasoline by pipe line the oil traffic prospects for the railroads are none too alluring. The recent introduction of a larger size tank truck for short-haul duty adds to the problems of the railroads.

Confronted with these rather dark clouds on their horizon the railroads have not remained complacent. On the contrary, they are attacking the pipe line problem with unwonted vigor and determination. The principal point of attack is that pipe lines engaged in interstate commerce should be completely divorced from oil company ownership and operation. They contend that pipe lines should be regulated as rigidly and as extensively as the railroads. They have pointed out to Congress that such action is justified in view of the fact that they (the railroads) have long since been obliged to divest themselves of their interest in the coal and other industries. In this proposal they have the support of many independent oil operators who suggest that it is easily possible for an oil company owning a pipe line system to give to itself, secretly, lower rates for transporting oil in the pipes than those not owning pipe line systems would have to pay.

Everyone knows that our new veins of industry, the pipe lines, are rapidly growing, but the effects on such apparently unrelated lines as the railroads, utilities, the coal industry, shipbuilding, tank car and motor truck manufacture has not been widely stressed. Mr. Woods brings out these relationships in a way most interesting and helpful to investors in these industries.

So far it has not been made clear how the railroads expect to regain any lost traffic, or hold that business which they now expect to lose when additional pipe lines for gasoline are built, by the mere process of effecting a change in the ownership and operation of the pipe lines. No matter who owns the pipe lines their inherent advantages over the railroads for the transportation of oil cannot be destroyed. Possibly stricter supervision and regulation by the Interstate Commerce Commission may increase pipe line rates. It is equally possible that under the same conditions they may become lower. After all, the Interstate Commerce Commission is an impartial regulative body. In any case it is not logical to suppose that pipe line rates will reach the present level of rail rates on petroleum products, or that rail rates will generally descend to the present level of pipe line rates.

Railroad Operation of Pipe Lines

Another theory that may be behind the railroads' pipe line agitation is, that with separation from oil company ownership and with stricter regulation by the I. C. C., pipe line expansion may be considerably lessened in speed. The flaw in this reasoning is that no permanent good will arise from merely slackening the growth of pipe lines. The transportation of crude oil, gasoline and natural gas through pipes is thoroughly established. Until a cheaper and better method is evolved, assuming that is possible, it is the ideal carrier for these commodities. Certainly the railroads recognize this fact.

It is surprising that thus far there has been no public suggestion that perhaps the railroads' advocacy of the separation of pipe lines from oil companies is inspired by the thought that Congress may grant them permission to operate the pipe lines themselves. The strength and logic of this hypothesis lies in the fact that the railroads' vast systems of rights of way provide numerous trails already blazed, which pipe lines may easily and profitably follow. Railroads, like pipe lines, have followed the path of least resistance in building their lines. Also like pipe lines—or like gasoline pipe lines anyway—railroads are more numerous in highly populous and industrial regions. These characteristics of railroads would be of inestimable value in the expansion of pipe lines since they represent the solution of the pipe lines' greatest problem. Especially is this true of the eastern part of the country where rights of way are more difficult to obtain and more costly.

A vague hint that the railroads have at least considered

this eventuality was provided by Elisha Lee, vice-president of the Pennsylvania R. R., in speaking recently before the National Petroleum Association. He said that railway, highway, airway and waterway transportation should be co-ordinated to give the maximum utility of each, but that it was a question for the future whether or not pipe lines can be brought into such a program of co-ordination.

"It is at least a possibility," Mr. Lee said, "that the railroads may feel a moral obligation to enter the field for the protection of refineries located on their lines. The day has long passed when railroads should be looked upon as limited to the rails . . . . the railroads as business organizations . . . . should henceforth be regarded as corporate enterprises existing for the purpose of providing any form of transportation service for which there is a real need or demand."

Natural Gas

The railroads have during the past year or so discovered another foe to their economic well being in the 80,000 miles of pipe lines used for the passage of natural gas from the oil fields of Louisiana and Texas to such great industrial centers as Atlanta, Birmingham, Denver, St. Louis and Chicago; from the California fields to Los Angeles and San Francisco, and from the Pennsylvania, Ohio, West Virginia fields to the lake cities, Washington and industrial centers. With the development of a method for transporting natural gas from the usually remote oil fields to distant industrial centers a new and vast industry has sprung up, allying the oil industry with the utility industry. In a short time such powerful organizations as many of the largest power and light companies have found themselves influential factors in this new utility.

The spread of the natural gas industry has been a severe blow to the railroads and perhaps a greater one to the coal industry. This is so because natural gas, with a heat content 90 per cent greater than artificial gas made from coal, is more efficient for many industrial purposes and a good deal cheaper. The industrial uses to which natural gas has been put in those centers where it is now available have cut deeply into what was heretofore the province of the coal industry. Consequently both the coal industry and the railroads find themselves minus that much business they would otherwise obtain. The seriousness of this to the coal industry is obvious. Its importance to the railroads is illustrated by the fact that formerly one-third of their freight traffic consisted of coal.

Confronted with this situation there seems to be little that either the railroads or coal industry can do about it. Possibly the only solution for them both lies in the exhaustion of the nation's supply of natural gas. Experts tell us that such a possibility is far in the future. Oil pipe lines have also affected the coal industry by making it possible for the oil companies to market their products at prices lower than would otherwise be possible. By thus reducing the selling price of fuel oil this has enabled the oil industry to capture many of the coal industry's customers.

If through the expansion of pipe lines the railroads suffer, so too will those few large companies which manufacture tank cars both to sell and to lease to the oil companies. This is not to say that the oil tank car business of these companies is in any danger of extinction. There is little likelihood that the pipe line will replace the tank car for every purpose and petroleum product. Lubricating oils, petroleum asphalt, liquid petroleum wax, casinghead or natural gasoline, kerosene, benzine, and special blends of gasoline and solvents, as well as other special products will no doubt always move in tank cars regardless of pipe lines. It is not conceivable that pipe lines will go writhing through the ground to every destination now supplied by tank cars or even that the co-ordination of pipe lines and tank trucks will entirely eclipse the tank car. Hardly the most visionary would make such a forecast. But it is indisputable that the usefulness of the tank car is being impaired by the expansion of pipe lines.

Tank car manufacturers are partly counteracting this adverse condition by developing new uses for their product. Inevitably, American industry best demonstrates its resourcefulness in the face of unfavorable circumstances. What is good for one is ill for another. But usually it is ill only until the patient does a little self-diagnosing and prescribing.

A Factor in Motor Industry

Probably the reason for the dearth of comment on the possible effect of pipe lines on that particular part of the motor industry concerned with the manufacture of tank trucks for the oil industry, is that the pipe line phase of transportation is in such a state of flux that it is not possible at this early date to predict with any amount of assurance all of the ultimate functions of pipe lines. However, if we cannot accurately gauge all the future uses of pipe lines we can at least indicate the most tenable of the prophecies advanced. As we shall see, this has a direct bearing on the use of tank trucks.

In order to probe the future we must first obtain an idea of the distribution set-up of an oil company. In general, it is as follows. Crude oil moves from the well to the refinery through pipe lines. The finished products are shipped from the refinery to the oil company's terminals by tank cars, or by barges and tank steamers when possible.

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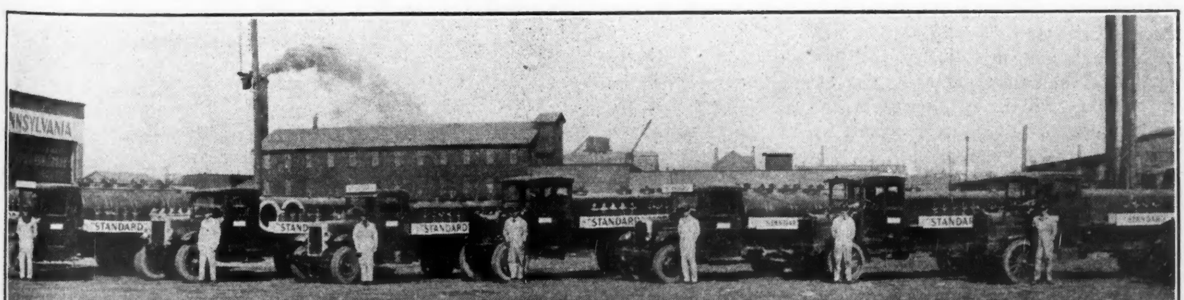


Standard Oil Photo

The Tank Truck is the Indispensable Supplement of the Pipe Line

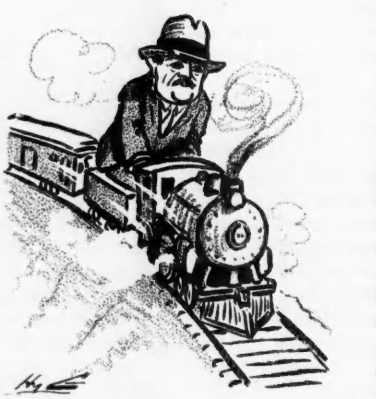
"Now Don't Quote Me, But—"

As Reported by the "Itinerant Economist"

"No One-Man Railroad for Me"

"Do you know," said a prominent railway executive, "I don't think there should ever be a one-man railroad in the United States. That kind of a railroad seldom, if ever, has a well-balanced organization. If anything happens to that one man too much regarding the management goes with him.

"Although gross earnings of Class I railroads in 1930 were over $1,000,000,000 and net railway operating income over $379,000,000 less than for 1929, and with still more big decreases for the first three months of this year, do you realize that only one good-sized railroad has gone into receivership? It may be only a coincidence, but I regard it as very significant that that road was a one-man affair for a quarter of a century or more. I refer to Seaboard Air Line.



"As I recall, it was back in 1900 and 1901 that Thomas Fortune Ryan and John Skelton Williams were battling for control of that property. Mr. Ryan had it first and he made it decidedly a one-man affair. Mr. Williams won the contest and during his regime, considerably longer than that of Ryan, the property was even more under his domination than that of his predecessor, if such a thing were possible. It ended up in receivership, and Mr. Williams in the Treasury Department at Washington.

"The property, built up during the rather long period of receivership, upon reorganization, came into one man control again, that of S. Davies Warfield. His devotion to the property and to the South was absolute. Although chairman of the board, through personal friendships and numerous business contacts, he often secured almost more traffic for his beloved Seaboard than did his traffic department.

"With his death, all these advantages to the property went and in their stead came the land boom and collapse in Florida, the severe depression in that section of the country because of those incidents and more recently, the general business depression. The Seaboard then was in banker control largely, but it was too late to save the property. While I do not claim that one-man control was entirely responsible for the financial downfall of the Seaboard twice within a comparatively few years, I believe that it had much to do with it.

"Here is a query for you: 'When Seaboard once more emerges from receivership and is on its own feet again, will a single individual, group of bankers or the stockholders, who have put up the real money, be in control?' I am betting on the stockholders."

A Necessary Divorce

"I wouldn't dare say this in public," said the head of a Stock Exchange firm, relaxing with cigar and coffee at one of the skyscraper luncheon clubs of lower Manhattan, "but I'm quite certain the Stock Exchange has overlooked a bet in failing to divorce the commission business from underwriting and other hazardous operations in no way related to the brokerage function of simply acting as agent in a security transaction for a customer. There should be a distinctive meaning to the term 'commission house.' The chance of such a house becoming insolvent is extremely remote. The recent failures which have weakened public confidence and given Wall Street another black eye were not really commission house failures. They were failures of underwriters and dealers. There is no reason, of course, why an individual or group of individuals should not deal in securities and also conduct a brokerage business, but the two operations should be definitely separated, much as the securities affiliate of a bank is legally separate from the bank. A divorce of this kind should be forced from so-called commission houses now engaged in both brokerage and underwriting and it should be specifically required by the Stock Exchange that the capital of the commission establishment could in no way be involved in the operations of the securities affiliate. If we had had such a system during the last two years there would have been no commission house failures and the conspicuous absence of such insolvencies while banks were failing right and left would have been the finest advertising Wall Street could possibly have. I venture the assertion that under such circumstances many persons would have regarded a brokerage house as actually the safest place to leave idle funds."

Foreign Trade A Mere Episode

"The business collapse," said a foreign trade executive, "has just about cut American imports and exports down one-half. That wouldn't be so bad if we could count on getting back that lost half when we are on the up-curve again. But we shall not get it back for many years. The reason is that foreign trade is only a side-line with most American business men. When business began to get bad Americans abroad scuttled and ran for home. Perhaps you've noticed that the British and Germans have not lost foreign trade the way we have. They stayed on the job and

will be there when business revives. Some time later we will come along and open up our offices again, and start all over. We insist on doing abroad just as we do at home and continue to believe naively that we can rush into Japan just as we would into Texas and get our business back in no time when there is plenty of business to get.

"Business is business with us, but with a lot of the foreigners it is a delicate human relation of slow growth. Establishing a new trade connection is like adopting a child. I am reminded of a manufacturer who came to me the other day and told me that he believed his specialty would sell in the Orient regardless of general business conditions. He asked me how to go about introducing his goods there.

"'How much time and how much expense are you willing to go to?' I asked.

"'Well, I figured,' he answered, 'that we would send out one man for four months with an expense allowance of $2,000.'

"'Do you know,' I commented, 'that it will take him 23 days from San Francisco to get to Manila; that it will take him four to nine days to get from Manila to Singapore; that it is as far from Singapore to Yokohama as it is from New York to London; that it is 850 miles from Hong Kong to Shanghai; 800 miles from Shanghai to Japan?' He didn't and he didn't want to know any more about distances in the Far East or, in fact, anything further about business prospects out there."

Mr. Baker Was Not "Hard"

"I am going to give you something," said an executive of a large corporation, "that you will not find among all the columns of biographical and commendatory matter that has been published regarding George F. Baker. Most people thought of him as a man of outstanding ability for making money and as one who devoted practically all of a remarkably long life to piling up millions.

"But Mr. Baker was not a 'hard' man. Many years ago in my capacity as a junior official of one of the large corporations of the United States, in which he was one of the biggest stockholders and the most influential director, I did a favor for him. When the event was over Mr. Baker said, 'If I can do anything for you at any time let me know.' I thanked him but took what he said largely as a formal expression of gratitude.

"Some years later I bought a fairly large amount of the stock of our company. The market had slumped terribly for some days and promised to have another sinking spell at the opening next morning.

"Clinging to every 'straw' that I could think of, I recalled what Mr. Baker had said to me. Although knowing that he was regarded as a 'cold proposition,' I decided to go to him before the opening, present my case and ask for the necessary assistance. He listened to my story without saying a word. When I had finished, this man who was supposed to be so 'cold' and 'hard' never uttered a word of censure. He quietly said that in his judgment the market would act the way I outlined and asked me how much money I thought I should have to protect my account.

"I told him $5,000. Again he agreed that this was just about the right figure. Taking a slip of paper, he wrote the amount thereon and his initials 'G. F. B.' and directed me to go to the paying teller's window and get the money. Before doing so he said that the money was given on the understanding that when my account justified it, I should withdraw this loan and return it to him, which I did later on. Don't tell me that George F. Baker was 'hard'."

Back to Horses and Mules

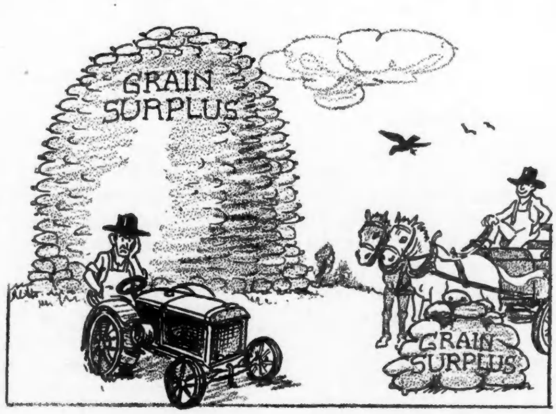
"Did it ever occur to you that if we were still farming with horses and mules in this country," queried the head of a large western corporation, "we would not have this bothersome wheat surplus about which we have heard so much?

"Do you realize also," he added, "that if our western farmers were using those animals for motive power they would have a far better chance to make money out of their wheat, even at the present low prices? Their cost of production would be greatly reduced.

"A part of the surplus," he further observed, "could be fed to the horses and mules. In return they would furnish ample motive power without additional cost, and a lot of valuable fertilizer besides.

"Now the western farmers pay from $600 to $1,200, and even more, for a tractor. You can't feed any surplus wheat to one of those things, but they do consume an awful lot of gas and oil, and maintenance charges are heavy.

"But modern farming on a large scale in the wheat-growing areas of the West involves the tying up of big sums of money, not only for tractors but also for combines. Those are the machines that cut, thresh and bag the wheat as they go along. They cost far more than the tractors and can be used only for the one purpose of harvesting the grain. That takes only a few days out of the 365 each year. All the rest of the time they are out of service, with depreciation charges going steadily and rapidly onward. The faithful horses and mules could furnish the motive power for binders such as were used before the combines came in—and without extra cost.



"The stack should still be the western farmer's granary, as it is that of the eastern farmer. If the former would be content to use the binders of a few years ago, stack his grain and thresh it as weather permitted and the market justified, the latter would not be flooded and glutted during harvest time as it is now.

"The entire wheat situation and everything pertaining to it would come much nearer being readjusted than is possible under present conditions. Give us back the horses and the mules."

Auburn—a Bull Stock in a Bear Market

What Made It Go Up?—Industrial Background, Earnings, Small Floating Supply, Pool Manipulation, Publicity, Advertising or a Combination of All?

By NICHOLAS T. CALHOUN

ONCE upon a time, in the midst of the greatest bear market ever known, one little stock *advanced* more than 200 points in less than four months. Once upon a time, as business slumped from a bad year into a worse one and famine threatened the realm of motordom, one small automobile company stepped out boldly against the field and tripled its sales. Once upon a time . . . .

Don't turn away, reader! This is not a fairy tale nor is it a speculative pipe dream. You do not believe such things happen in these depressed days of 1931? Oh, yes, they do! There may never have been a cow that jumped over the moon and snow may be rare in June but it is a fact that Auburn shares have gone up more than 200 points in a liquidating market. It is a fact that the Auburn Automobile Co., whether through magic, genius or luck, is selling three times as many cars now as in 1930 while the industry as a whole lags some distance behind the 1930 pace.

This story provides an interesting informal study of the various forces operating in the price movement of almost any stock on the board. These factors are frequently at variance and those strongest determine the price trend. When they are acting in concert the result is surprising as in the case of Auburn.

A Novel Act

Whatever its importance or significance, Auburn's phenomenal speculative and industrial performance, staged in a setting of widespread and acute depression, is undeniably interesting. Indeed, it is a distraction to be grateful for, even if one does not own the stock and has no intention of acquiring it. It is generally agreed that the Stock Market Follies of 1931 thus far is a dull flop. Auburn's act is refreshingly novel, giving a bright touch to the monotonous epic of economic distress we have had to endure so long.

In directing attention to it, however, it is necessary to state plainly and emphatically, that this article is not intended in any way as a recommendation of Auburn stock at, or anywhere near, recent quotations. For the margin trader it is just as safe to dally with this bit of speculative dynamite as with a buzz saw. Speculators who come out of the adventure with terrific lacerations can have any amount of sympathy but the blame and responsibility are entirely their own. The very fact that the stock which spurted more than 200 points in a bear market is the same stock which dropped from 514 in 1929 to approximately 60 last autumn proves the soundness of such an observation. But the story behind its market vicissitudes is worth the telling.

It starts in a variety of places and times. One root goes back to 1874 when Charles Eckhart organized the Eckhart Carriage Co.; for the Auburn automobile, like Studebaker and various others, represents the evolution of a buggy, the elimination of the horse in this case occurring in 1900. Three years later the Eckharts, father and two sons, were turning out fifty one-cylinder cars annually and the enterprise, capitalized at $7,500, had been organized under its present name. An enlarged corporation of the same name was formed in 1919 after the industry had cut its eye-teeth and caught sight of fabulous profit possibilities. The limited amount of stock began to receive public distribution. Some will remember the Auburn product of that day by the slogan, "Auburn Beauty Six." It was just another automobile, giving neither General Motors nor Mr. Ford much to worry about.

Enter Cord

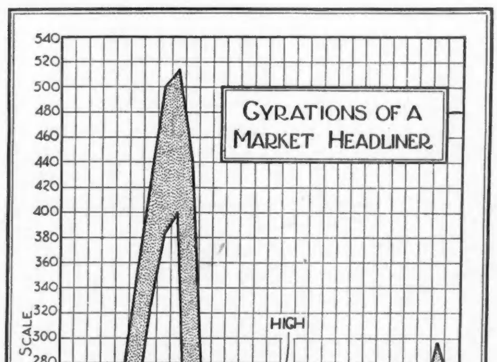
The depression of 1920-1921 and the several following years brought troubles and management changes to Auburn, at which point the current story traces back to a different root. Errett Lobban Cord was born at Warrensburg, Mo., six years before the first Auburn car was built. While the Eckharts struggled for a footing in the new industry, Cord was making a devious approach in California as a racing car mechanic, race driver, garage owner, operator of motor bus and truck lines, dealer in used cars and proprietor of rental car agencies, a career followed by five years as a distributor of cars in Chicago. It was in 1924 that Cord became vice-president and general manager of Auburn, flashing across the automotive sky in a manner scarcely less spectacular than that of Walter P. Chrysler, and from that moment, despite its small size, Auburn first began to maintain a respectable pace in the fast company of its competitors.

Under Cord, sales volume increased from $7,985,000 in 1925 to $37,551,000 in 1929, a performance which, however creditable, offered little to stimulate the speculative imagination at a time when profitable expansion seemed to be the rule of the automobile industry. From 1925 through 1928, Auburn stock, listed on the New York Curb Market and the Chicago Stock Exchange, was merely a member of the vast speculative chorus and, aside from its very small capitalization, appeared to have none of the makings of a headliner. Its price range was not abnormally wide, nor was it particularly active.

As a stock, it first flashed to stardom in the speculative big time during the wild bull months of 1929 when, after listing upon the New York Stock Exchange, it soared from a low of 120 to a high of 514. Per share earnings were large and the floating supply was exceptionally small, the original listing consisting only of 167,360 shares, at present increased to 195,769 shares through periodic stock dividends. It was thus an ideal medium for professional speculation, susceptible to wide fluctuation, and the setting of 1929, industrially and speculatively, was perfect for just such an advance as Auburn experienced.

Down to the Depths

Other stocks shared the 1929 limelight and while Auburn's spectacular gyrations provided favorable publicity for the company and its product this certainly was not an influence that could be expected to maintain the manufacturer through the trying test of 1930 and 1931. As with all other motor companies, sales and earnings slumped in 1930, although Auburn even then had the distinction of covering its dividend by a safe margin. The stock, after selling as high as 263¾ in the spring rally, sagged to 60⅜ in the decline of the following autumn. Its day as a headliner in the market appeared to be over.



In retrospect it can safely be assumed that strong inside accumulation was taking place in the late stage of the decline, although it is not definitely known, and probably never will be, whether such buying represented the initial step in a skillfully conceived pool campaign. Wall Street had not heard of any bullish development within the company. Not a few bearish traders forgot or ignored the smallness of the floating supply and ventured a try at the short side.

Then, while the general market continued to sag and well before the December 16 turn, the new Auburn act was introduced to a surprised speculative audience. The stock disregarded an utterly bearish setting and began to move up against the trend, apparently locking in an increasing short interest on its upward spurt. From 60⅜ it crossed 100 before the end of the year. Thereafter, as the market headed into the January-February rally, Auburn speedily threatened to duplicate the 1929 performance. To the dismay of shorts, it moved, with erratic spurts and reactions, from a January low of 101½ to a high of 295½, a net gain of exactly 235⅛ points in less than four months. Moreover, whether technical factors were large or small, it maintained the greater part of its appreciation during the subsequent market slump.

Investigations Capitalized

In a bull market this sort of thing might be taken for granted but it was difficult to believe that a 235-point advance could be justified under 1931 conditions. Criticism was freely voiced. For weeks the daily financial press discussed the phenomenon chiefly in terms of "pool manipulation," "trapped short interest" and "technical corner." As to the pool manipulation actually involved, reliable information, of course, is lacking. As to the question of a corner, it is clear that none existed. An ample supply of the stock, for purchase or borrowing, was at all times available. Uneasy at the criticism, the Stock Exchange focused a hawklike eye upon every move in Auburn. Its lack of disciplinary action is proof that it could find no violation of its rules. Seeking fraud, the office of the State Attorney General made an investigation, with the co-operation of the Stock Exchange and officials of the Auburn company. This ended with the public announcement that nothing had been found to warrant action.

It was an announcement which, attended by considerable publicity, certainly did the stock and the company no harm. There was additional favorable publicity when gossip as to the millions in paper profits made in Auburn by Frank A. Vanderlip, former president of the National City Bank, found its way to publication. This story was confirmed to the extent that Mr. Vanderlip publicly acknowledged being, and having long been, a large holder of Auburn shares.

Meanwhile Wall Street became aware that things were happening in the Auburn organization, as well as in the stock. The company had devoted much of its 1930 effort to aggressive preparation for 1931. It knew that radically new policies were necessary and that 1931 success would depend upon striking the public's fancy in style and performance, both for less money. Lower material costs, of course, were available to all motor manufacturers. Auburn took full advantage of these and applied other rigid economies, but the company's significant move was to abandon two eight-cylinder cars and a six and to "bet its shirt" on one new eight, priced $250 to $400 under the comparable model of 1930. There were no striking changes in the higher priced Cord and Duesenberg cars. All effort was concentrated on packing into the new Auburn a smartness and value that would attract the eye and the pocketbook.

There is no need of venturing an opinion as to the result. The car met with a quick success at the January

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THE OHIO POWER CO.
1st & Ref. 4½s, 1956

A High-Grade Utility Mortgage Bond

Well Secured Issue Yields Approximately 4.50% at Current Price Levels

By Ward Gates

Earnings of the Ohio Power Co.	Gross	Net	Int., etc.	Times Earned
1925	$11,230,835	$4,783,164	$2,489,313	1.92
1926	14,111,790	6,100,500	2,771,002	2.20
1927	14,899,088	7,118,838	3,072,381	2.31
1928	15,803,936	8,175,361	2,977,066	2.75
1929	17,251,745	9,463,597	3,491,801	2.71

THE divergence of price movements in the bond market is a development that has attracted considerable attention and is not a little puzzling to the average observer. The high grade bonds, especially of the public utility companies because more than any other major industry this one has resisted the effects of depression, have responded to the successive easing in money rates while the second grade and the speculative issues, on the other hand, have trended downward.

The reason for this divergence is that the high grade bonds have very little of the element of doubt surrounding them that affects the second grade and speculative issues particularly in times of depressed business and falling earnings. The high grade bonds generally are secured by a mortgage on the property of the company or else are the obligations of our largest and financially strongest companies. The type of business, the stability of earnings in bad times as well as good, the large margin of earnings over and above interest requirements, all these leave very little room for doubt as to the safety of this class of bonds. Endowed with these qualities, the prevailing trend of long term interest rates is the chief factor influencing the price.

This is much less true in the medium grade issues. While this type of bond may be inherently sound and over the long run perfectly safe, other factors besides the trend of long term interest rates assume greater importance. The issue may be well secured insofar as property values are concerned, but the business may be subject to wide fluctuation in earnings and in times of depression the coverage on the bond issue may become impaired. The medium grade issues, therefore, reflect the trend of earnings rather than the fundamental ease in money rates. In the speculative bond issues, of course, the price movement is practically entirely dependent on the condition of the company and the trend of earnings.

High Grade Bonds Best Mediums at Present

The different types of issues involve varying degrees of risk. The investor interested solely in the income concerns himself chiefly with high grade issues, as the safety of the principal and the income are the paramount factors. Appreciation in the high grade issues comes about almost solely as a result of a gradual long term down trend in interest rates. Medium grade bonds involve greater risk but at the same time do offer possibility of appreciation if the position of the company becomes stronger. The speculative issues involve the greatest amount of risk, and while affording attractive opportunities for price appreciation there are also many instances where these issues have depreciated greatly.

In view of present conditions in the bond market as well as in business, many investors and bond buyers desire only the high grade issues. As their surplus funds accumulate they of course wish to invest them in some security issue but until the present uncertainties in the bond and the stock market are overcome, their chief concern is assurance of the safety of the principal of their funds and a reasonable return on their investment. High grade bonds appear to be the most suitable medium in the bond list under present conditions.

High grade public utility bonds occupy an enviable position at the present time because as a class they appear to be improving their already strong position even in a period of depression. A bond of this description is the Ohio Power Co. 1st & Ref. Series "D" 4½ due June 1, 1956, listed on the New York Curb Exchange, currently selling for approximately 100½ and yielding therefore slightly less than 4.5%, both on a current basis and to maturity.

The Ohio Power Co. is one of the operating subsidiaries of the America Gas & Electric Co., one of the large utility holding companies in this country and one which is affiliated with the Electric Bond & Share Co. The Ohio

Power Co. owns and operates electric light and power generating plants and transmission and distributing systems in the manufacturing and mining sections of Ohio. A total of 294 communities is served having an aggregate population estimated at 808,000 and include Canton, Lima, Portsmouth, Steubenville, Newark, East Liverpool, Lancaster, Irontown, and Cambridge and a number of towns in the Wheeling district west of the Ohio River.

The bond issue is secured by a direct first mortgage lien on the greater part of the company's properties, including the two principal generating stations located respectively at Philo, O., and at Power, W. Va., and practically all the new high voltage transmission lines constructed or acquired in recent years. The company owns a total installed electric generating capacity of 398,195 kw., 1,796 miles of high voltage transmission lines and 2,758 miles of distribution lines. The company's franchises with minor exceptions are unlimited as to time.

Safeguarded by Restrictions

The bonds outstanding as of the beginning of 1930 were $39,363,000 of the Series "D" and $13,794,500 of the 5% Series "B" issued under the same mortgage indenture. Prior liens to the amount of some $2,029,500 are outstanding but the mortgages under which these bonds were issued are closed and may not be extended. When these prior liens mature, in 1939 and in 1944, they will be refunded by the issuance of 1st & Ref. bonds which are reserved for this purpose, and then this latter issue will constitute a first mortgage on all the property included under the mortgage lien. Aside from this the issuance of additional bonds is restricted to cover cost of extensions, additions, etc., at par for 75% of the cost.

A renewal and improvement fund has been effective since 1922 which provides an amount annually equal to 4½% of the outstanding bonds, including underlying issues at the end of the preceding year, with deduction of sinking fund payments and amounts expended for maintenance and renewals of mortgaged property. This fund may be applied to reimburse the company for such expenditures made previously in excess of 4½%, for redemption of bonds, and for property additions against which no bonds can be issued.

The Series "D" bonds are redeemable at 102½ prior to June 2, 1936, and thereafter at ½ point less each successive five-year period to June 2,

(*Please turn to page* 184)

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
New York Central Deb. 6s, 1935	630.2	1.54	110	107	5.6	3.9
Atchison, Top. & S. Fe Conv. 4s, 1955	273.3	3.77	110	96	4.2	4.3
Rock Island-Frisco Terminal 1st 4½s, 1957 (d)	....	X	102½T	98	4.6	4.6
Great Northern Gen. A 7s, 1936 (b)	139.8	1.98	....	111	6.3	4.7
Pennsylvania 5s, 1964	....	1.81	102T	104	4.8	4.8
Central Pacific Guar. 5s, 1960 (a)	....	1.91	105 ('35)T	104	4.8	4.8
Chic. & W. Indiana 1st Ref. 5½s, 1962	49.9	X	105	105	5.2	5.2
Nor'n Pacific Ref. & Impr. 6s, 2047 (a)	165.6	2.12	110 ('36)	111	5.4	5.4
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 (b)	14.2	X	107½T	108	5.6	5.4
Balt. & Ohio Ref. & Gen. 6s, 1995 (a)	285.3	1.64	107½A ('34)	108	5.6	5.6
Southern Railway Dev. & Gen. 6s, 1956	133.8	1.51	....	105	5.7	5.6
Illinois Central 4¾s, 1966	....	1.50	102½ ('36)T	80	5.9	5.9
N. Y., Chic. & St. L. Ref. 5½s, 1974 (a)	58.8	1.60	105	93	5.9	5.9
Missouri Pacific 1st & Ref. 5s, 1977 (a)	94.6	1.35	105A	82	6.1	6.2
Central of Georgia Ref. 5½s, 1959	30.9	1.39	105A ('34)	91	6.0	6.2

Public Utilities

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Pacific Gas & Elec. Gen. Ref. 5s, 1942	29.0	2.67	105T	105	4.8	4.4
Utah Power & Light 1st 5s, 1944	....	2.83†	105	103	4.9	4.7
Consol. Gas of N. Y. Deb. 5½s, 1945 (a)	191.1	5.51	106T	107	5.1	4.8
Montana Power Deb. 5s, 1962 (a)	33.3	3.14†	105T	103	4.8	4.8
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.87†	....	101	4.9	4.8
Arkansas Power & Lt. 1st & Ref. 5s, 1956 (c)	2.0	2.26	105	102	4.9	4.9
Hudson & Manh'n 1st Ref. 5s, 1957 (b)	5.9	1.53	105	99	5.1	5.1
Columbia Gas & Elec. Deb. 5s, 1952	....	3.27	105T	97	5.2	5.2
Northern Ohio Tr. & Lt. Gen'l & Ref. 6s, 1947, "A" (a)	8.4	2.20†	110	107	5.6	5.3
New Orleans P. S. 1st & Ref. A 5s, 1952 (a)	9.7	1.32†	104	94	5.3	5.5
Amer. W. Wks. & El. Deb. 6s, 1975 (a)	12.7	1.42	110	105	5.7	5.6
United Lt. & Rys. 1st Cons. A 6s, 1952 (b)	11.3	2.15	(N)	105	5.7	5.6
Standard Gas & Elec. 6s, 1935	432.2	1.42	103	101	5.9	5.7
Standard Gas & Elec. 6s, 1966 (b)	432.2	1.42	105T	100	6.0	6.0
Cities Service Pr. & Lt. Deb. 5½s, 1952	104.4	1.55	105	77	7.2	7.7

Industrials

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Midvale Steel & Ord. Conv. Coll. 5s, 1936 (a)	....	4.34	105	103	4.8	4.4
Allis Chalmers Deb. 5s, 1937 (a)	....	5.39	103T	102	4.9	4.6
Gulf Oil Deb. 5s, 1947 (c)	....	2.99	104AT	100	5.0	5.0
Youngstown Sh. & Tube 1st 5s, 1978 (a)	....	2.93	105T	100	5.0	5.0
Sinclair Pipe Line 5s, 1942 (a)	....	6.33†	103	100	5.0	5.0
National Dairy Prod. Deb. 5¼s, '48 (a)	....	7.62	105T	102	5.1	5.1
Purity Bakeries 5s, 1948	0.6	7.74	103½	94	5.4	5.5
International Match Deb. 5s, 1947 (a)	....	5.67	109H	90	5.6	6.0
Chile Copper Deb. 5s, 1947 (a)	....	10.20†	102T	90	5.6	6.0
Amer. Cyanamid Deb. 5s, 1942	0.3	11.73	100	89	5.6	6.4

Short Terms

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Humble Oil & Ref. Deb. 5½s, '32 (b)	....	13.59†	102½A	102¾	5.3	..
Smith (A. O.) 1st S. F. 6½s, 1933 (a)	....	22.76	101T	102¾	6.3	5.0
Middle West Utilities 5s, 1933	881.6	1.39†	101½	98	5.1	6.0

Convertible Bonds

		Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Am. Tel. & Tel. Conv. 4½s, '39	Com.@175.4	6.10	105	130	3.5	..
Atch., Top. & S. F. Deb. 4½s, '48	Com.@166.6	3.77	102	113	4.0	3.5
N. Y., N. H. & Hart. 6s, '48	Com.@100	1.92	....	115	5.2	4.7
Chesapeake Corp. Col. Tr. 5s, 47	C. & O.@106	2.99	100	99	5.1	5.1
Baltimore & Ohio Conv. 4½s, '60	Com.@120(h)	1.64	105	90	5.0	5.2
Texas Corp. 5s, 1944	Com.@70	3.24	102T	92	5.4	5.9
Chic., Rock Island & Pac. 4½s, 1960	......	1.58	105 ('36)T	80	5.6	5.9
Inter'l Tel. & Tel. Deb. 4½s, '39	Com.@63.9	2.27	102½	88	5.1	6.3
Amer. Inter'l Corp. Deb. 5½s, '49	Com.@80	1.41	105	87	6.3	6.7
Assoc. Gas & El. Conv. 4½s, '49 (K)	......	1.60	103T	72	6.3	7.3
Utilities Pwr. & Lt. 5s, '59, w.w. (L)	......	1.61	105T	66	7.6	8.0

All Bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100. * On total funded debt..

A—Callable as a whole only. T—Callable at gradually lower prices. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. (h) Convertible after February 1, 1981. (K) Convert. into 17½ shares of Class "A" stock. (L) Rights to purchase 7 shs. Class "A," 3½ shs. "B" (v. t. c.), and 3½ shs. Common to 2-2-34 @ $577.50 for the unit. (N) Not callable until 1947. † On basis of 1929 earnings.

BROOKLYN UNION GAS

Merger Prospects Lend Attraction

Large Metropolitan Gas Company Makes Good Showing in Unfavorable Year

By Francis C. Fullerton

Three Years With Brooklyn Union Gas

	1928	1929	1930
Operating Revenues	$25,899,184	$25,920,991	$25,698,195
Oper. Expenses, Taxes	17,514,891	15,067,569	15,182,184
Maintenance and Depreciation	2,302,268	2,556,216	2,703,754
Operating Income	6,082,025	8,297,206	7,812,257
Net Income to Common	4,134,726	5,553,268	5,354,732
Earned per Share	8.09	7.54	7.23
Total Property	108,826,009	112,073,837	111,271,041
Total Gas Sold (M. cu. ft.)	22,406,166	22,447,578	22,310,631
Number of Meters	700,191	717,709	726,584

POPULATION growth in the territory in which it operates has aided the prosperity of Brooklyn Union Gas Co. tremendously. Each decade since the company's formation in 1895 has been marked by a very substantial increase in population of the Borough of Brooklyn, the major part of which the company serves with manufactured gas, and within the past decade the same trend has become very noticeable in Queens, two wards of which are served by the company. From all indications the population in these two boroughs of New York City should continue to increase for some years to come thus further aiding the growth and prosperity of the utility companies operating within their confines.

The popularity of the two boroughs mentioned can perhaps best be illustrated by marshalling a few population figures relative to the metropolitan area. The total population of Greater New York, which includes five boroughs, increased 1,310,398 in the decade from 1920 to 1930, but Brooklyn and Queens alone increased during this same decade 1,152,132. The total population of the Greater City in 1930 was 6,930,446 of which Brooklyn had 2,560,401, an increase of 542,045 over 1920, while Queens had 1,079,129, an increase of 610,087 or more than two and one-quarter times the number in 1920.

A considerable part of the increase in these two boroughs was due to the shift in population away from the older, more cramped and congested sections of Manhattan which in this decade experienced a decrease in population of 416,791 and now has only 1,867,312 residents. Of the other two boroughs, which may be mentioned incidentally, the Bronx gained 533,242 persons and now has 1,265,258 while Richmond, by far the smallest in population, now has 158,346, an increase of 42,815.

Strength During Business Depression

With the population trend in its favor, the Brooklyn Union Gas Co. naturally has stood to benefit therefrom. Last year, for instance, which because of depressed business conditions was not a particularly good one from the viewpoint of expansion, the company added 8,881 new customers to its lines making a total of 726,584 customers at the end of the year, and although the gain was only approximately one-half of that of the year before when 17,512 new customers were added, the 1930 results nevertheless must be considered very satisfactory in view of general conditions.

The company's strong position is well illustrated in the 1930 operating results. Despite the unfavorable business conditions prevailing, the gross and net earnings of the company were off but slightly from 1929, while sales of gas were only 0.6% less. Indeed, over the past four years the sales of gas have been remarkably stable but this fact, in view of the trend toward increasing population in its territory, indicates that the sale per customer has been slightly downward. The amount of gas sold in 1930 was 22,310,631 thousand cubic feet varying only slightly more or less since 1927. In 1926, the sales amounted to 23,585,744 thousand cubic feet, a peak year for the company. Over a period of years prior to this gas sales have shown an upward trend.

The inertia of the company's business in the last few years may be attributed to several factors. There unquestionably has been a trend in modern family life away from home cooking, particularly in the large metropolitan areas and although more gas is used by the outside agencies supplanting the home cooking, the aggregate of this latter probably does not make up for the aggregate decrease in the former. Of greater importance than this, however, has been the relatively mild weather experienced in this part of the country in the past three or four years.

This last named factor is entirely of a temporary nature and as the weather in recent years has probably been as mild as will be witnessed in this section, a more adverse effect need not be expected. If anything, the weather may be more severe in the future which would of course react beneficially on the business of the company.

The channels for growth in the use of gas are definite and attractive. Special effort is being made to expand the use of gas for industrial purposes. The company maintains a corps of highly trained experts who assist manufacturers in their fuel problems and demonstrate the advantages of gas for all purposes where heat is required. Gas refrigeration offers another channel for growth in business. The popularity of the gas refrigerator is steadily increasing and it is being installed in many of the large apartment houses and private dwellings in Brooklyn and Queens. At the end of 1930 there were over 12,000 units in the service of the company's customers. The gas refrigerator has an advantage over the electric type in that it is entirely noiseless. The company is actively promoting sales through advertising and sales campaigns, but a great many installations are made as a result of recommendations on the part of users to their friends.

Househeating Offers Attractive Possibilities

Gas for househeating likewise continues to increase in favor and installations of gas-fired house heating equipment have been made in considerable numbers. The absence of ashes and dust, together with other advantages, popularizes the use of gas heat in the home. The co-operation of builders is sought and special endeavors are made to have the modern homes insulated to insure greater economy in the operation of gas-fired heaters. In the sale of all types of gas appliances, indeed, co-operative relations have been established with dealers and plumbers in the company's territory, with encouraging results. The sales of gas appliances by the company last year amounted to $2,176,063 an increase of $248,822 over the previous year.

The company now operates six gas generating plants. Last year one of the older plants was withdrawn from service as the capacity and the much superior operations of the Greenpoint Works made it uneconomic and no longer useful. The capacity of the company's six plants is 134,000,000 cubic feet daily, although the effective capacity is only 112,000,000 daily as against 92,000,000 cubic feet capacity in 1925. In addition, the company operates 90 coke ovens with a capacity of 22,000,000 cubic feet of gas daily, whereas in 1925 the company had no coke ovens in operation.

These coke ovens were installed since the Koppers interests first secured a foothold through acquisition of a large block of stock in 1927. The Koppers interests, incidentally, now hold about 23½% of the outstanding common stock. Last year, the company made arrangements whereby these coke ovens were to be sold to a subsidiary of the Koppers company but the Public Service Commission disapproved of the transfer, so that the company now operates these plants itself.

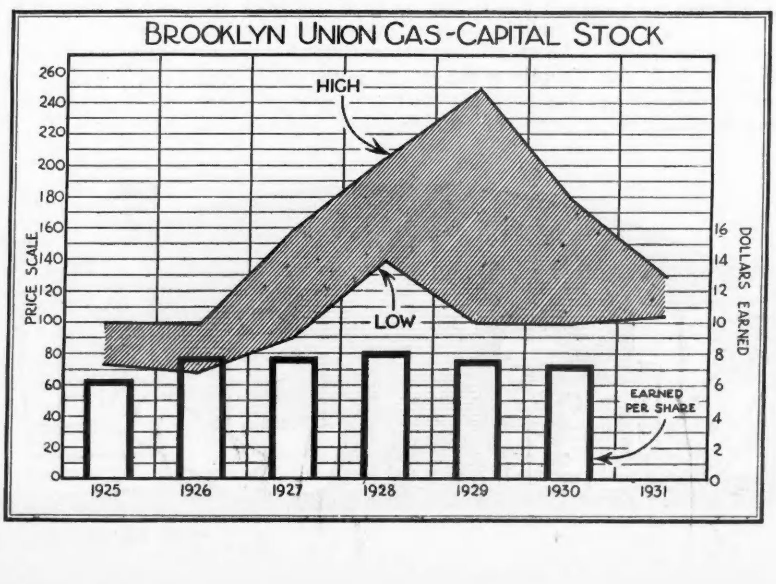
Operating revenues in 1930 were $25,698,195, a decline of $222,796 from the year before. Operating expenses, taxes, maintenance, and uncollectible items amounted to $17,216,619 an increase of $266,261. The operating efficiency of the companies has been tremendously improved in the past few years. In 1928, for instance, operating expenses, etc., were $19,144,975, in 1927 were slightly higher, and in 1926 were actually $21,051,521. The maintenance charges in 1930 were $2,034,435, higher by $151,647 than in 1929 and $404,353 above the maintenance charges in 1928. Depreciation or retirement expenses last year amounted to $669,318, approximately the same as in the two previous years.

Despite the issuance of $18,000,000 of 5% Debenture Bonds in June of 1930, total interest charges were down $268,800. The proceeds of the bond issue were used to cover in part the cost of the additions and betterments made to the plant and the property during the period from August 1, 1924, to December 31, 1929, which had been financed largely by the issue of short term notes. Notes payable by the company were reduced from $23,000,000 at the end of 1929 to only $5,250,000 at the end of 1930.

Common Share Earnings Hold Up

After all prior deductions and after crediting other and miscellaneous income, net earnings remaining for the common stock amounted to $5,354,732 for 1930 which compares with $5,553,268 in 1929, equivalent respectively to $7.23 a share on 740,186 shares at the end of 1930 and $7.69 a share on 736,718 shares at the end of 1929. The net earnings on the common were $198,536 lower in 1930 than in the previous year, but in weighing this decrease consideration should be given to the fact that maintenance, as mentioned above, increased $151,647 and in addition the company charged an extra amount of $176,905 to operating expenses for pension reserves. These two items combined amount to $328,552, which compares with the decrease in net earnings for 1930 of $198,536.

Brooklyn Union common stock is currently selling for about 106 or approximately 15 times last year's earnings. Considering the large equity which the common comprises in the total capitalization, about 63% on present market prices, this valuation is a fairly conservative one. The dividend rate of $5 per annum returns a yield of 4.7% and in view of the stability of earnings and present margin over payments the dividend appears safe. Present levels appear attractive for accumulation of the stock for long pull holding. It sells on a conservative basis. yields a fair return, and possesses moderately attractive growth possibilities.



One other factor presents itself in a (*Please turn to page* 183)

Containers Compete With Themselves

The Tin Can Versus the Glass Jar Versus Treated Paperboard — A War of Modern Industrialism

By Henry Richmond, Jr.

THE simple purchase of a quart of molasses might justifiably be viewed with certain misgivings had the purchase to be removed with the bare hands, while there would be an almost unimaginable horror in transporting a gallon of paint during a big city's "rush hour" with the sole aid of Providence and perhaps a sheet of newspaper. It is conceivable of course that the victim might arrive home with a handful of molasses or paint, but suppose he had attempted to obtain both on the same trip. Absurd, you say. Naturally, but the very ridiculousness of such a predicament emphasizes the indubitable fact that our much vaunted civilization would get considerably "mussed up" to say the least but for those receptacles of tin plate, glass, cardboard or composition in which nearly everything bought by the individual is safely carried, and then stored until ready for consumption.

The Essential Container

In its broadest sense the container industry may be said to include the best part of man's entire activities as almost everything he produces requires, at one time or another, something into which it may be put, stored, moved or processed. In the sense that the term "container" will be used here, however, it will be assumed to cover only the production and distribution of those receivers into which small quantities of consumable goods are placed for the convenience of the retail purchaser—tin cans, glass bottles, jars, and also cardboard and composition boxes of all kinds. Even within this restricted scope, the container industry covers an immensely wide field. It affects, and is affected by, numerous other occupations; it possesses branches which jut out to do battle with other branches; and the whole is under the influence of long term economic trends in the world's mode of living.

Taking the "tin can" division of the container industry first, it will be found that this has gone ahead by leaps and bounds with the steady drift of population to the cities with their limited storage space and lack of facilities for handling large quantities of anything. Another factor contributing very largely to the growth in the use of cans has been the steady increase in popularity of trade-marked or branded articles, and the extensive advertising done in their behalf is largely one of different colored labels—talk to the contrary. At the present time the can division is dominated in the United States by three companies—American Can, the reformed "tin can trust," Continental Can and McKeesport Tin Plate. The first of these is essentially a manufacturer of cans, buying the necessary tin plate principally from a subsidiary of the United States Steel Corp.; the second is also a can manufacturer, but possesses its own plate mill; while the third is a tin plate manufacturer with a tin can subsidiary. Between them, these three companies probably account for over 60% of the cans produced in the country and the business is being steadily expanded abroad.

Well Controlled Supply

The "supply" side of the can industry is apparently well organized. The price of tin plate,. unlike many other steel products, has been relatively stable and the practice of the trade is to contract for a season's supply and then with this as base to enter into

agreements with those who actually do the canning. Should the agreements with the latter run more than a year—which is not unlikely—then the price of the cans will take into account any possible fluctuation in tin plate, so that the can companies are largely protected against changes in raw material prices—a model system for industry in general. Also, reinforcing the contracts with the canners, there is the fact that the can manufacturers make canning machinery which is leased on a royalty basis with a special guarantee covering the number of defectives should both can and machinery be produced by the same concern. This tends to assure that a customer once obtained will not be lost.

If the "supply" side of the industry is well organized, however, the "demand" side is something over which the can manufacturer can have little control. True, he may, and from the past record of the companies does, see that the price obtained for the cans affords a satisfactory margin of profit, but his real profit lies essentially in quantity and this he cannot arrange. The demand for cans must be considered in two divisions. The first covers "sanitary" or "packers" cans, used for packing vegetables, fruit and fish, while the second covers "general line" containers favored by manufacturers of drugs, candy, chemicals, oils, paints, varnishes, coffee, tea, baking powder, tobacco and other products.

The Crop Factor

Despite the fact that the proportion of general line cans has steadily been increased, packers' cans still account for about 55% of the output of American Can and but slightly under 70% of the output of Continental Can. Metal Package Corp., McKeesport's subsidiary, is popularly supposed to be more in the general side of the industry. The demand for packers' cans in any one year depends upon the fruit and vegetable crops and fish catches which are available for packing. The quantity of fruit and vegetables is largely a question of acreage, for the canning crops are so widely separated that a failure is one district is likely to be offset by a bumper crop in another. This was clearly shown last year, when, in spite of the drought, fruit and vegetable packs were the largest on record. In fact, so large were they that, helped by a 20% or so falling off in the export business caused by the depression, the "carryover" was inordinately large, necessitating drastic price reductions in an effort to move stocks. These unsatisfactory conditions were reflected in the report of California Packing for the year ended February 28, which showed earnings of 9 cents a common share against $6.16 for the corresponding previous period. The low prices have had a deterring effect upon the acreage planted this year, which is estimated to be almost 12% under 1930. Consequently, the demand for packers' cans will probably also be less with the result that in this division the profits of the big can companies are likely to go under those of 1930. The set-back this year, however, can hardly be more than temporary as any industry as large as the canned foods industry in the United States (production is estimated to be around 200 million cases of twenty-four cans annually, having a value not far from the billion-dollar mark) is evidently far from impermanent.

While the long-term trend in the demand for general line cans is probably upward, as more and more goods are being packed in this kind of container, the general depression has not been without its adverse effects and, under conditions of restricted sales for almost everything, it is hardly surprising that this side of the industry has not, in recent times, made the headway which normally might have been expected. Here, material improvement undoubtedly depends upon general business and until this is shown the demand for general line cans will probably continue to run some 10% or so under the banner year 1929.

Although the tin can has built for itself an enviable reputation in the container industry, it is not without its competitors, especially for food, and among these glass is the most important. In any discussion of the respective merits of these two materials it is always brought out that glass is bulky, heavy and easily broken. It is, however, more obviously clean and is unaffected by its contents whatever they may be, whereas a plain tin can is not entirely free from the effects of acidity, although this difficulty is now said to have been overcome by means of an enamel coating.

Comparison of Representative Companies in the Container Industry

	Per Share Earnings 1929	Per Share Earnings 1930	Current Price	Regular Dividend	Yield %
American Can	8.02	8.08	95	4	4.2
Anchor Cap.	4.05	3.58	20	2.40	12.0
Container Corp. of America B	0.47	nil	1	No	..
Continental Can	5.02	5.04	45	2.50	5.5
McKeesport Tin Plate	8.01	8.35	77	4.00	5.2
Owens-Illinois Glass	4.80	2.45	28	2.00	7.1

Glass Containers

Anchor Cap Corp. is an example of a company engaged exclusively in the manufacture and distribution of hermetically sealed glass containers competing directly with the tin can. It is, however, a small, highly-specialized company and not altogether representative of the industry. The largest manufacturer of glass containers in the country is the Owens-Illinois Glass Co., an organization which has expanded very materially in recent years by the acquisition of other companies. Production by this company now includes all kinds of glass bottles, jars and caps in addition to bottle making machinery. The business was severely hit by the depression for, while volume held up fairly well, prices were cut until much of the line sold at record low levels. As a result, earnings for the year 1930 were equivalent to $2.45 per common share comparing with $4.80 for the previous twelve months and the company was obliged to make the second reduction, in less than a year, in its dividend rate. Earnings for the first quarter of the present year are expected to be about 34 cents a share against 61 cents last year. With a turn for the better in general business, however, Owens-Illinois Glass Co. will probably make a much better showing as glass is still something to be reckoned with in the container field, although the industry would do well to initiate some form of internal co-operation with a view to reducing over-production evils.

It is just possible that this co-operation will be brought about by pressure from the outside for, while not yet really dangerous, a rapidly growing youngster with aspirations has entered the field. Its name is Treated Card-

(Please turn to page 184)

UNITED CORP. WARRANTS

A Profit Possibility at Small Capital Outlay

Perpetual Warrants of United Corporation Represent Call on the Stock

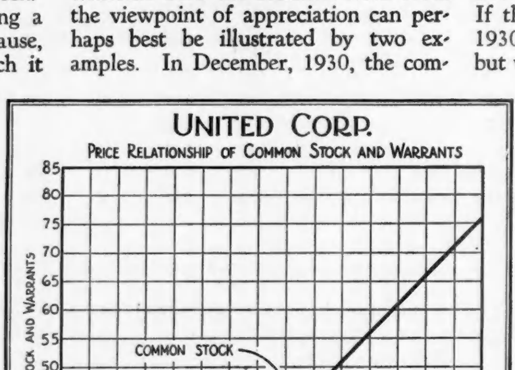
By Russel Tayte

FOR those security purchasers interested chiefly in the price appreciation possibilities of an equity in United Corp., it is significant that, based on past market performance, the option warrants offer an attractive profit opportunity at a smaller capital outlay than the common stock. Of course, price appreciation is the only motive for making a commitment in the warrants because, unlike the common stock on which it is a call, the warrants offer no return in the form of dividends or income of any sort. The option warrants, therefore, are a purely speculative commitment in the equity of this giant utility investing company, the returns on which must be sought solely through enhancement in the value.

The option warrants of the United Corp. are a perpetual call on the common stock of the company. They entitle the holder to purchase at any time without limit an equal number of shares of common stock at $27.50 a share. The market movement of the option warrants naturally is affected by the price movements of the common stock but there is this significant difference in the lower price range, as is clearly illustrated in the accompanying chart:—the price of the option warrants resists the further downward movement in the price of the stock. In other words, the price of the warrants tends to flatten out as lower levels are sought.

This characteristic may be utilized by the security purchaser when prices reach this particular zone by purchasing the warrants instead of the common stock because in so doing he lessens the effects of any further decline which may occur in the price of the common stock but at the same time if the price of the common stock advances, the option warrants will likewise advance.

The greater attractiveness of the warrants over the common stock from the viewpoint of appreciation can perhaps best be illustrated by two examples. In December, 1930, the common stock sold at its low level of 13⅞ while the low for the warrants was 6. During the rise of the first quarter of 1931, the common reached a high of 31¼ while the warrants sold as high as 15⅛. The appreciation from the low to the high amounted to about 125% in the common stock but in the warrants the increase amounted to 152%.



At the lower price levels the warrants resist decline more than the common stock and also possess greater possibilities for percentage price enhancement

How will commitments made at currents price levels compare? The common stock is currently selling at 20½ and the warrants at slightly under 9. If the common advances to its high of 1930 of 52 it will show a gain of 153%, but when the common sold at this price the warrants reached a high of 30⅞ at which level the increase is 243%. In 1929 the common attained a high price of 75½ which is 270% over the current price, but the high in 1929 for the warrants was 47⅞, a gain of 432% over the present price. Price appreciation comparisons are very much in favor of the warrants.

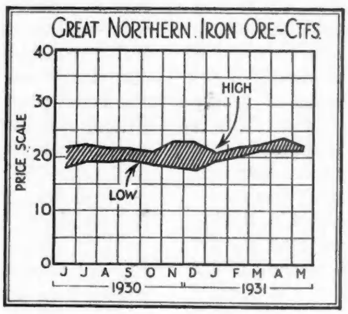
As against the advantages of the warrants over the common stock, namely a lessened risk of loss in the lower price range and the greater appreciation possibilities on the upswing, the common stock itself has a distinct advantage in that it carries a dividend of 75 cents a share, yielding at current prices 3.7%. The common, moreover, can be bought on margin while the warrants must be purchased outright. If the common is purchased on a 50% margin the profits on the upswing naturally are doubled, and thus counteracts to some extent the greater appreciation possibilities of the warrants. Margin buying, however, increases the risk and a decline in the market may wipe out the equity in the commitment entirely, a procedure which of course cannot occur in outright buying.

Companies That Are Doing Well Despite Depression

All Industries Are Feeling the Depression to Some Degree But a Few Companies Are Able to Hold Their Position Against the Tide of Adversity—They Merit Particular Attention and Should Be Carefully Studied for Later Advantageous Acquisition—A Select Few Are Present in This Feature

Great Northern Iron Ore

GREAT Northern Iron Ore Properties is a trust which came into being on the segregation of properties from the Great Northern Railway in 1906. Certificates of beneficial interest were issued to holders of stock in the railroad on a share-for-share basis. The trust controls a number of companies, which in turn control some 65,000 acres of iron ore land in the Missabe region of Minnesota. Ore reserves are very extensive, it being estimated on a conservative basis that the properties contain at least 140,000,000 tons of merchantable ore not including that of low quality. Should the new refining processes which are being developed at the University of Minnesota prove successful on a commercial scale they would, by making the low grade ore valuable, greatly lengthen the life of the trust's properties.



Great Northern Iron Ore Properties derives its revenues from three sources. First, from royalties paid by lessees; second, from the direct sale of ore; third, from interest, dividends and rents. Additional leases are continually being negotiated and the trust numbers among its customers many of the more prominent steel companies in the country.

Disbursements on the certificates of beneficial interest—which are now outstanding in the amount of 1,500,000 and which represent the sole capitalization, there being no funded debt—have been made in every year since, and including, 1907. The amount, however, has varied from 50 cents annually to $4 annually. At present, the certificates are on a regular $2 basis with the possibility of extras from time to time. When this rate was established last December the trustees stated that they felt that it was justifiable in view of the fact that a number of additional leases had been arranged which would give the trust greater revenues under minimum royalty provisions. Moreover, in this statement can be found the reason why the income of Great Northern Iron Ore Properties has not declined during the present depression in proportion to the decreased consumption of iron and steel products. Receipts for the year ended December 31, 1930, totaled $3,400,000 against $4,875,000 in 1929, a fairly satisfactory showing in view of general conditions.

Certificates of Beneficial Interest in Great Northern Iron Ore Properties are listed on the New York Stock Exchange and are currently quoted around $20 to yield 10%. It is the organization's policy to pay out almost all the money received and, as no provision is made for depletion, part of the disbursements must be considered as a return of capital. In fact, there is some evidence to show that this item may be considered as being slightly less than half the amount distributed, although, owing to the general tendency for mining companies to underestimate their reserves, it may actually be considerably less than this. Finally, mention should be made of the extraordinary market stability of the certificates. This year they have ranged only from $19.50 to $23.50, while last year they touched a new low level since their issuance at $17.50, having previously, however, sold as high as $25.40. This record of price stability, however, indicates a certain lack of market sponsorship, but if this objection be accepted there is reason to suppose that, opportunely purchased, these certificates represent a desirable semi-speculative commitment for those desiring greater common stock diversity.

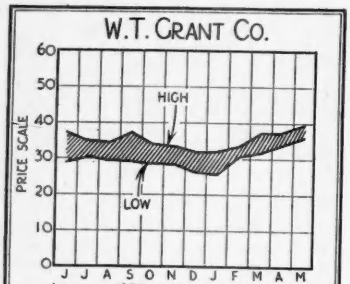
W. T. Grant Co.

THE present business recession has brought to light a peculiar fact in the merchandising field—the phenomenon that of many companies apparently similarly engaged, some have been hard hit, others have stood still, while a small number have succeeded in scaling new heights, despite the obvious hardships of the times. Among the latter is the W. T. Grant Co. which reported earnings of $3,349,173 after depreciation, taxes, etc., for the year ended January 31, 1931, compared with $3,057,750 for the previous fiscal year. This was equal to $2.80 a share, based on 1,195,355 shares of no par common stock (the company's sole capitalization) as against $2.58 a share on 1,185,580 shares in the earlier period.

The business dates from 1906 in which year W. T. Grant opened a store in Lynn, Massachusetts. It proved an immediate success and the results of continual expansion are to be found in the present W. T. Grant Co. which operates some 350 outlets spread throughout the country. The company specializes in the sale of merchandise priced between 5 cents and $1, and over 95% of its business is done within this price range. The other small percentage

comprises popular-priced articles of apparel for men and women and some miscellaneous goods retailing up to $25 or so.

The size of the W. T. Grant stores varies considerably and, while represented in New York, they also can be found in towns having a population of no more than 5,000 persons. Each store is in charge of a manager who has been systematically trained for the position by the company and a large part of his compensation will depend upon the profits made by the particular store. This profit-sharing plan assures that the personnel turnover in this important position shall be held to a minimum.



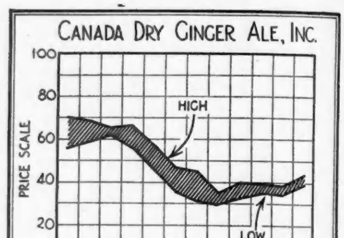
It would appear from the last annual report that the business of W. T. Grant Co. had been aided rather than otherwise by the drastic decline in commodity prices which took place last year, the lower prices having allowed the company to achieve a wider margin of profit which was sufficient to offset the sales decline in individual stores and also sufficient to compensate for the inevitable inventory adjustments. The company entered the new year in a strong financial position, the previous twelve months having resulted in a reduction in total inventories of nearly $700,000 and an increase in cash of $2,241,000. This is the more remarkable in view of the fact that some 70 new stores were opened during the year. The ratio of current assets to current liabilities improved to nearly 7½ to 1.

The excellent showing made by W. T. Grant Co. during the present difficult period is naturally reflected in the price of the company's common stock, which at the present quotation of $36 a share yields only 2.8% on the regular $1 dividend, whereas many other companies in the same field can be bought to yield a much higher return. These others, however, lack the margin over dividends earned by W. T. Grant and also the possibilities contained in the latter's continued aggressive expansion.

Canada Dry Ginger Ale

DEPRESSION or no depression, it seems that people still continue to drink ginger ale—and many of them Canada Dry ginger ale at that. As is natural perhaps, the company has felt *some* of the adverse effects of the times but even so, in view of the fact that its products might easily be considered to fall into the luxury class, the business has been remarkably stable. For the fiscal year ended September 30, 1930, Canada Dry Ginger Ale, Inc., reported net income of $3,402,225 after interest, depreciation and taxes. This was equal to $6.64 a share based on 512,294 shares of no par common stock and compared with $3,534,420, or $6.92 a share on a slightly smaller number of shares, for the previous year. During the last quarter of 1930, however, the company's business fell off and only 39 cents a share was reported compared with $1.47 shown in the last quarter of 1929 and Canada Dry with its usual ultra-conservatism immediately cut the dividend from $5 a share to $3 a share annually. Perversely the business picked up at once and for the first three months of the current year the company succeeded in reporting earnings of 91 cents a share against 88 cents shown for the corresponding previous period.

Part of the credit for this better showing must be given to the company's recently inaugurated sales effort and expansion program. This took the form of a nationally advertised new large-size bottle, holding about five full glasses and which is sold at an attractive price. There is every evidence that the campaign promises to be a successful one, for the company recently stated that more Canada Dry ginger ale was sold in April than during any previous month in its history. With the advent of really warm weather, which is normally the company's best season, this record will almost certainly be broken.

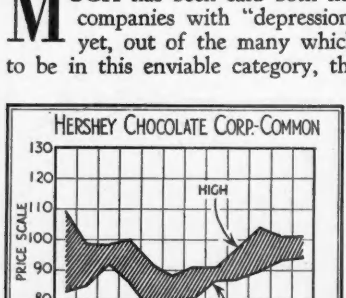


The present capitalization of Canada Dry Ginger Ale, Inc., consists solely of 512,294 shares of no par common stock. There is neither preferred stock nor funded debt. The company's financial position is a strong one. As of March 31, 1931, current assets amounted to $5,592,000 compared with current liabilities of only $1,012,000, a ratio of about 5½ to 1 and a considerable improvement over the slightly better than 4 to 1 ratio shown at the same date last year.

At the present time the common stock of Canada Dry Ginger Ale, Inc., can be purchased on the New York Stock Exchange for about $41 a share, a price at which it yields well over 7%. Like all single-base companies dealing in more or less non-essentials, the business, in theory, might be considered somewhat precarious for it depends on the public's whim—a factor which can be directed only by efficient advertising. In practice, however, many such companies have enjoyed remarkably steady prosperity in both good and bad times and, at the present moment, there is nothing to indicate that Canada Dry is in danger of losing its membership in this fortunate group.

Hershey Chocolate Corp.

MUCH has been said both here and elsewhere about companies with "depression proof" businesses and yet, out of the many which at one time appeared to be in this enviable category, there now remains but a handful whicn have actually managed to resist the devastating effects of two years of world-wide industrial upheaval. Among this small and exceedingly select minority is to be found the Hershey Chocolate Corp., a company which has succeeded, despite an inevitable decrease in sales, in reporting profits at record high levels. The principal ingredients, cocoa beans and sugar, from which Hershey makes its well-known chocolate and almond bars, cocoa, chocolate and



allied products, have recently sold at the lowest prices in many years and, although part of this saving has been passed on to the public in the form of "more chocolate for the same money," this has far from offset the decline in raw materials.

The result of this situation is clearly shown in the company's reports. Net sales from $38,131,000 in 1928—the first full year of operations for the present company—moved upward to $41,371,000 in 1929 and then fell to $38,442,000 for 1930. Profits, however, increased from $6,456,000 to $7,520,000 over the same three years, while for the first quarter of 1931, sales of $9,682,000 resulted in a net income of $2,671,000 whereas, for the first three months of last year, sales of $11,450,000 produced a net income of only $2,320,000. Translated into per share earnings, results for the first quarter of 1931 were equal to $2.95 per share of common stock, based on 706,520 shares, which compared with $2.29 a share for the corresponding previous period—after allowing in both instances for the participating feature of the $4 preferred stock and, for the earlier period, after dividends on 6% prior preferred stock which has since been retired. In addition to the above number of common shares, Hershey's sole capitalization consists of 293,480 shares of no par $4 cumulative preferred stock which is convertible into common stock share-for-share at any time and is also entitled to receive $1 extra in dividends before anything is paid on the common.

When consideration is given to the steady retirement of the company's prior preferred stock which is now completed, the financial position of Hershey Chocolate Corp. may be deemed entirely satisfactory. As of March 31, 1931, the company reported current assets of nearly $9,600,000 against current liabilities of slightly more than $3,700,000, a ratio of somewhat better than 2½ to 1, and an improvement over the 2 to 1 ratio shown on the same date of last year.

From the standpoint of the prospective investor there appears to be little choice at the present time between the common and the $4 preferred stock of this company. They are both paying $5 in dividends annually so that the former selling around $91 a share yields well over 5%, whereas the latter at $103 a share yields slightly less than 5%. The lower return on the preferred, however, is offset by its greater safety. In fact, there are many who might consider that this advantage added to its unlimited convertibility makes the preferred the slightly more desirable of the two issues.

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	133.73	182.20	138.50	No	91	4.4
Union Pacific	4 (N)	46.32	49.48	41.30	No	87	4.6
Atchison, Top. & S. Fe......	5 (N)	40.21	49.18	30.08	No	107	4.7
Baltimore & Ohio	4 (N)	49.44	48.87	36.46	No	72	5.6
N. Y., New Haven & Hart...	7 (C)	34.40	45.47	30.50	115	113	6.2
Illinois Central Conv. A......	6 (N)	66.28	70.98	49.82	115	95	6.3
Chicago & Northwestern......	7 (N)	53.84	69.65	37.25	No	107	6.5
Pere Marquette Prior........	5 (C)	75.60	55.50	17.86	100	70	7.1
Chic., Rock Island & Pac. (5% Cum.)	6 (C)	23.60	25.14	13.60	102	82	7.3
Colorado & Southern 1st......	4 (N)	49.45	41.72	15.00	No	55	7.3

Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Amer. Lt. & Traction........	1½ (C)	17.20	21.38	20.71	No	30	5.0
Public Service of New Jersey..	8 (C)	§20.92	19.04	24.44	No	156	5.1
So. California Edison "B"....	1½ (C)	3.28	3.61	3.63	28¾	28	5.4
Pacific Gas & Elec. 1st......	1½ (C)	4.24	4.57	5.25	No	28	5.4
North American Co...........	3 (C)	40.22	47.48	47.51	55	56	5.4
Philadelphia Co.	3 (C)	20.68	27.58	28.27	No	54	5.6
North Amer. Edison..........	6 (C)	53.15	47.48	47.51	105	106	5.7
Elec. Bond & Share..........	6 (C)	18.43	29.11	31.24	110	106	5.7
Columbia Gas & Electric "A".	6 (C)	30.78	33.95	26.86	110	103	5.8
American Water Works & El.	6 (C)	31.05	39.11	44.22	110	104	5.8
National Pr. & Lt............	6 (C)	45.38	50.22	45.16	110	102	5.9
Buffalo, Niagara & Eastern Pr.	1.6 (C)	4.52	5.19	5.25	26¼	27	5.9
United Corp.	3 (C)	....	4.66	6.46	55	51	5.9
United Light & Power Conv...	6 (C)	....	16.62	17.44	105	95	6.3
Engineers Publ. Serv. (w.w.)	5½ (C)	8.79	17.65	16.21	110	85	6.5
Standard Gas & Electric.....	4 (C)	14.07	20.39	20.95	No	62	6.5
Federal Light & Traction ...	6 (C)	49.93	40.12	39.68	100	88	6.8
Electric Power & Light......	7 (C)	17.00	19.03	13.39	110	103	6.8
Hudson & Man. R. R. Conv...	5 (N)	37.02	42.89	40.79	No	68	7.4

Industrials

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Hershey Conv.	†5 (C)	16.25	21.36	24.24	No	101	4.9
du Pont (E. I.) de Nemours deb.	6 (C)	69.06	78.54	55.22	125	121	5.0
Aluminum Co. of Amer.......	6 (C)	14.04	17.19	7.93	110	108	5.6
Stand. Brands, Inc., Cum. A..	7 (C)	123.40	129.41	111.03	120	123	5.7
Diamond Match	1.5 (C)	....	....	....	No	26	5.8
Brown Shoe	7 (C)	85.27	44.11	35.31	120	118	5.9
General Cigar	7 (C)	62.81	85.92	64.03	No	116	6.0
Curtis Publishing	7 (C)	21.48	23.93	21.25	120	115	6.1
General Mills	6 (C)	18.70	18.86	20.03	115	99	6.1
Bucyrus-Erie	7 (C)	39.34	48.34	35.72	120	113	6.2
Mathieson Alkali Works......	7 (C)	84.50	93.91	84.68	No	112	6.2
Commerc. Investm. Trust 1st..	6½ (C)	45.50	81.92	90.87	110	103	6.3
Bethlehem Steel Corp........	7 (C)	19.16	42.24	23.34	No	109	6.4
Bush Terminal Buildings.....	7 (C)	‡	‡	‡	120	108	6.5
Case (J. I.) Thresh. Mach....	7 (C)	32.59	35.06	25.52	No	105	6.7
American Sugar	7 (C)	14.60	15.40	12.60	No	101	6.9
Deere & Co.	1.40 (C)	5.90	9.64	5.20	No	20	7.0
Crown Cork & Seal..........	2.70 (C)	7.90	6.36	7.34	45	31	8.7

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. † Regular rate, $4.

DIAMOND MATCH

Still a Leader After Fifty Years

Diversifying of Interests Now in Process—Promise of Early Dividend Resumption

By Ronald P. Hartwell

THE safety match which one uses and carelessly flips away is a most inconsequential thing. Many of us do not trouble to buy it, for one can usually be had for the asking and the clerk at the tobacco shop, if he doesn't forget, freely hands out a book of matches to the purchaser of cigarettes. If one has to pay, the price of a pocket box is a penny and for the same sum two book packages may be had.

Yet the match is a prime necessity of life, but little less important in mankind's scheme of existence than food and clothing, and neither the patented modern pocket lighter nor the savage's method of rubbing two sticks together can seriously compete with it as the source of fire to which countless millions of persons resort. From the consumer's point of view it may be a product to consider in terms of pennies but its manufacture and distribution throughout the world for years has been big business, yielding profits which various companies are able to measure in millions of dollars.

Foremost among such companies in America, although behind the giant Swedish Match Co. in size, is the Diamond Match Co. Few corporations in any field of business have as long and as interesting a history and still fewer can approach its fifty-year record of stability in garnering profits and paying dividends. This record is of particular interest at present because Diamond Match common stock is no longer a blue chip issue selling at a per share price too high to attract the average small investor. The recent recapitalization of the company has multiplied outstanding shares more than ten-fold, causing a proportionate reduction in quoted price of the stock, and the quotation also has been depressed by general market weakness, with the joint result that the present common recently has been selling around $18 per share. The old stock for years sold above $100 per share, its low in 1930 having been 139 and its high 254½.

In considering the new stock, on which no dividend has yet been paid but on which dividends probably will be inaugurated before the end of the year, it is worth bearing in mind that the Diamond Match management, which is unchanged, has long been notable for ultra-conservative methods in reporting earnings and appraising assets. It was not until the annual statement for 1929 was issued that it deviated from its old policy of reporting only earnings of the parent company. Even now the consolidated statements do not indicate the holding company's proportion of subsidiary profits but only those profits actually paid to the parent organization in dividends.

Courtesy Diamond Match Co.

Bringing a Live Coal Before the Days of Lucifers

On this basis, consolidated net income for 1930 amounted to $2,427,497 as compared with $2,824,404 for 1929, equal to $14.28 and $16.61 per share, respectively, on 170,000 shares of the old common stock outstanding. Applied to the new capital set-up, 1930 earnings were the equivalent of $1.10 per share of common stock after preferred dividend requirements.

Considering the wide change in world business from the prosperity level of 1929 to the lower level of 1930, these profit comparisons suggest at once a stability of earning power above the average of most lines of business. This is due both to certain fundamental characteristics of the match business and, presumably, to the strong competitive position of the company, since others in this field have not found an easy road to profits.

Granted stable earning power in 1930 as compared with 1929, however, it is not to be denied that the factor of growth in earnings has been absent in recent years. Although the figures issued prior to 1929 covered only parent company earnings, they do indicate a trend, and that trend from 1919 to 1928 was downward. Net income reported in 1919 was $2,173,516. It sagged, to the smallest figure in ten years, during 1928 at $1,587,642. The intervening change was gradual, without wide fluctuations in any year. Per share earnings on the old stock during this period ranged from $12.81 in 1919 to $9.56 in 1928. As previously brought out, the

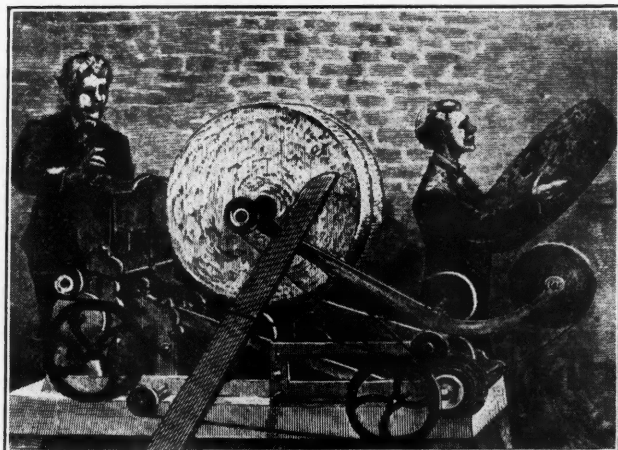
later policy of reporting consolidated earnings materially increased the showing per share. As stated above, however, this does not fully reveal actual earning power, for the company, of course, has an equity in subsidiary earnings above the subsidiary dividends received. It is obvious that considerable allowance for this hidden and, so far as the public is concerned, unmeasurable, factor must be made to justify a price for the new stock of 18, which is 16.36 times 1930 per share earnings. Assets are most conservatively valued, good will being carried at $1, but assets are decidedly secondary to earning power in determining a reasonable stock market valuation.

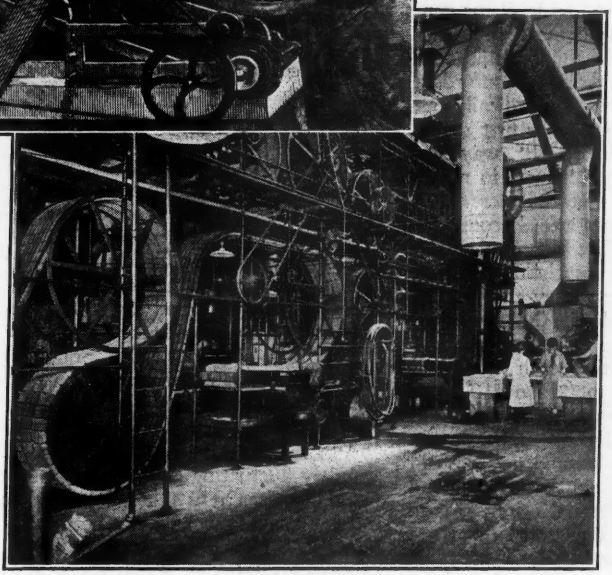
The solidity of the company is strikingly indicated by the fact that it has paid dividends continuously for forty-nine years. The present intermission on the new common stock does not break this record, as will later be explained. In the half-century period of operation cash dividend distribution amounted to $61,058,651. In no year has the dividend been less than 6% on outstanding capital stock. During the past twenty years annual cash dividends have averaged 9.19% and during the last ten years the average has been 10.6%. This showing, of course, was on a capitalization of 170,000 shares of $100 par value.

Diversified Interests

Besides being the leading American manufacturer of matches, the company is a large owner of timber lands and a producer of lumber and lumber products. Its activities include such lines as toothpicks, clothespins and various types of woodware, as well as paper products. It holds large investments in other companies, both domestic and foreign, but has no interest in any other American match company. Companies in which it owns stock include Bryant & May, Ltd., of Great Britain; the British Match Corp., and the Eddy Match Co., Ltd., of Canada For some time Diamond Match has acted as the sales agent and distributor in this country of the products of the vast Swedish Match Co. This agreement, after considerable negotiation, was renewed at the close of 1930 for a period of four years, to terminate December 31, 1934.

The company officially classifies its earnings as being derived from five divisions of the business. First is the main match business, including Idaho and Washington timber and lumber and match block operations directly related to the manufacture of matches. In 1929, the latest year for which the figures are available, this division accounted for 29.39% of the total net income. The second division includes timber and lumber operations in New England, California and Georgia and accounted in 1929 for 14.69% of total income. Foreign and domestic investments, the third division, contributed 36.75% of earnings. Merchandising and sales, other than the main match business and timber and lumber operations, accounted for 7.65% of earnings. The fifth division includes general or executive office and business operations, such as interest on bank balances and revenues from patents, and in 1929 contributed 11.52% of profits.





Courtesy Diamond Match Co.

Match-Making Old and New

The company was incorporated in Connecticut in 1880 and re-incorporated in Illinois in 1889. The present Diamond Match Co. is a holding company, chartered in Delaware, and through an operating company of the same name, chartered in Maryland, took over, as of January 1, 1931, all properties and assets of the old Diamond Match Co. of Illinois. In this change each of the 170,000 shares of old stock was exchanged for five shares of the new 6% cumulative, participating preferred stock, $25 par value, and four shares of the new no par value common shares.

An Exceptional Sale

In addition the new company sold to bankers 350,000 shares of common stock at a price of approximately $37.14 per share, making the total outstanding capitalization 850,000 shares of preferred and 1,050,000 shares of common. The identity of the purchasers has not been disclosed but it is of interest to note that Elisha Walker, chairman of the Transamerica Corp., and Jean Monnet, vice-chairman, were recently made directors of Diamond Match,

This sale of stock, giving the company $13,000,000 cash, is of exceptional interest to anyone considering Diamond Match for long-term possibilities. In the annual report of W. A. Fairburn, president of the company, it is stated that the price of $13,000,000 or $37.14 per share, "was based on actual worth, with values determined by complete audit and appraisal of properties, and was neither set nor influenced by Stock Exchange prices, which naturally are at times detrimentally affected and depressed by temporary general business conditions, drastic competition, overproduction, prevailing low prices of products, foreign dumping, etc., with resultant lessened earnings."

(*Please turn to page* 187)

Market Indicators

For Profit

Savings as a Business Barometer

The present depression is no exception to the general run of its kind insofar as it has stimulated the growth of liquid savings. Recent reports would indicate that the increase in popularity of savings banks was attaining prodigious proportions and this development, in view of the low level for general business, unemployment and other ills which one might think would contribute to heavy withdrawals, affords a phenomenon open to two radically opposed interpretations. The first school of thought—which by the way has probably lost many adherents in recent months—contends that the increase in savings bank deposits affords confirmation of the fact that the present depression is largely psychological; that the people have the money and, if they would only spend it, the industrial skies would brighten immediately. Those advocating that each individual spend $5 more a month, or 10 cents more a day, or whatever it is, are in this class. On the other hand, the growth in savings bank deposits could be interpreted to mean that the demand for money for industrial purposes is so poor that institutions and others are placing their money in this easily accessible depository because they have nowhere else to put it; or perhaps that the outlook for common stocks and other investments is so dubious that the risks are too great to warrant taking. The real reason behind the growth in savings bank deposits is probably a combination of all these and it will be interesting to see, when the rate of increase commences to slow up, whether there will be afforded thereby a reliable barometer signifying the end of the depression—meaning, when this occurs it logically might be taken to mean, that people are more hopeful and willing to spend a greater proportion of their incomes; that more business needs more money and that therefore there is less to be put in bank; and finally that the improvement in business in turn has contributed to the attractiveness of other forms of investment.

* * *

American & Foreign Power Still Expanding

The American & Foreign Power Co., through the parent organization the Electric Bond & Share Co., is reported to have completed arrangements, subject to the approval of various official bodies, whereby it is to acquire the electric and gas utilities of the city of Bucharest, capital of Rumania. Should the acquisition be consummated under present plans, it will represent an investment of some $12,000,000 on the part of the American & Foreign Power Co. Gross revenues are said to be between $3,000,000 and $4,000,000 a year and show a tendency to increase at the rate of about 10% annually. One of the most interesting features of the new concession lies in the fact that rates are to be fixed on a gold basis and in this way the possible danger of a widely fluctuating currency are eliminated. It is a pity that all our other foreign concessions have not been negotiated in the same way as the difficulty of paying interest or dividends on gold obligations with a 50% or so depreciated currency, as is happening now in South America with some of our interests there, must be a problem of the greatest magnitude.

* * *

Investment Trusts

If an investment trust common stock has an asset value of minus ten dollars a share, then for how much should such a stock sell? Here is one of those obscure mathematical questions that only a stock market can answer and, that it does so, is very much to its credit. A case in point is that of Second National Investors which reported as of March 31 net assets behind its convertible preferred stock of something over $85 a share, and as this issue is entitled to $100 a share in liquidation, the common stock might be said to be worth nothing, if not actually a minus sum of money. Despite the fact that since the date of the company's last report its portfolio has probably declined still further, Second National Investors common is currently quoted around $4 a share. Other examples of this curious situation are not difficult to find and the reason of course lies in the fact that, as long as the company continues to exist, the common stock represents a "call" on any future assets above the amount necessary to liquidate the senior issues. There is, however, no theoretical way of arriving at a fair value for stock of this class and, although undoubtedly worth something, it is merely a question of the purchaser getting that "something" as cheaply as possible.

* * *

Two Investment Preferreds

It is difficult in these days of easy money to obtain a sound fixed income bearing security yielding 5½% or more with the added advantage of good marketability. And yet, in the $5 and $6 preferred stocks of Electric Bond & Share Co. there appears to be such an issue. The company is unique. It is something of a holding company, something of an investment trust and something of a firm of public utility consultants. It actually controls the vastly ramified American Foreign Power Co. which operates, through a host of subsidiaries, public utilities throughout the world; it renders supervisory service of a technical and financial nature to such important companies as American Power & Light Co., National Power & Light Co. and Electric Power & Light Corp. and any advice given is all the more forceful for being backed by large holdings of the individual company's stock; to the American Gas &

The Stockholder and Income

Electric Co., Electric Bond & Share renders financial service; while, in addition a very large portfolio of miscellaneous investments is owned. For the year 1930, Electric Bond & Share Co, reported net income equal to $31.24 per share on the combined issues of preferred stocks outstanding at the end of the year. This compared with $29.11 shown for the previous year. Both the $5 and $6 preferred stocks are callable at 110 so that the possibility of greater profit causes the lower-rate issue to sell around $92 a share on the New York Curb Exchange to yield just under 5.5%, whereas the $6 preferred can be bought on the same exchange around $104 a share to yield considerably more than this. They both may be considered a satisfactory "business man's investment" and a choice between them is one of individual preference only.

* * *

Deflation

Since 1929 business has slumped and so has the stock market, but is the extent of the fall taken by the latter thoroughly realized? Looking over the list of bygone blue chips, one finds that Allied Chemical is some 235 points below its high, American Tel. & Tel. about 130 points, Westinghouse about 230, Steel 160, U. S. Industrial Alcohol 210, Standard Gas & Electric 175, while J. I. Case takes the prize with a drop of 440 points. Even if it cannot be contended with any certainty that any of these issues is cheap at present prices, all are certainly a great deal cheaper than they were. At the height of their glory they were enthusiastically accepted as sound long term investments by the same people who now are just as enthusiastically prophesying bankruptcy for them all and backing the opinion by operations on the short side of the market. This appears anything but sound policy and, without venturing an opinion as to whether or not the turn is here now, or whether it will arrive within the next few days, next month or next year, one can rest assured that there will be as many people bearish at the bottom of the present market as there were bulls in the late summer of 1929—a prophecy which appears to have unintentionally indicated that many bulls and many bears are to become members of the goat family.

* * *

Merger—The Life Guard

At the present time when many companies and even industries are struggling to keep their heads above the swirling tide of depression, the merger movement—in the past alternatively dubbed a stock selling "racket," a scheme for squeezing the little fellow, or merely the fulfillment of the grandiose dreams of our big industrialists—is to be seen in the role of life saver. The demoralized condition of the oil industry is likely to provide a fertile field for the movement. Walter C. Teagle, president of the Standard Oil Co. of New Jersey, stated in the last annual report, "both raw materials and finished products are selling below cost," which on the face of it indicates that the smaller companies must either be absorbed or go under. Harry F. Sinclair of the Sinclair Consolidated Oil Corp. confirmed only the other day that his company was actively pursuing negotiations with a view to a merger with Prairie Oil & Gas Co., Prairie Pipe Line & Tidewater Associated. If it were not for the Interstate Commerce Commission, many mergers among railroads would undoubtedly have taken place. John J. Pelley, president of the New York, New Haven & Hartford, recently said that a consolidation between his road and the Boston & Maine should receive serious consideration immediately and pointed out that it would result in an annual saving of some $3,000,000. Then there are perennial discussions concerning a merger of the big Canadian newsprint producers. This industry is in an even more chaotic condition than the oil industry, and it appears that a basis for reasonable cooperation must shortly be arrived at, lest everyone in the field be forced into bankruptcy. All in all, there is much evidence indicating that business is turning more and more to consolidation as a remedy for overproduction and unnecessarily harsh competition and developments along these lines may have some interesting repercussions in the stock market.

* * *

Cigarette Prices

Investors had hoped, when United Cigar Stores and Schulte raised their prices for the popular brands of cigarettes from two packs for 25 cents to two packs for 27 cents, that this was the forerunner of a price increase on the part of manufacturers. The move did in fact get as far as many other retail tobacconists and certain drug and chain grocery stores, but in the A. & P. chain it apparently met an immovable obstruction, and reports are now current that the price increase is not to be maintained. The failure to hold the new price level—if failure it turns out to be—is seemingly due to radical differences among the businesses retailing cigarettes. Sales of cigarettes by the chain tobacconists make up a large part of their total sales volume and for this reason a fairly large margin of profit is very desirable for on it much of their total income depends. The A. & P. on the other hand is committed to an extremely low margin of profit and the company sees no reason to make an exception for the rapidly selling cigarette with its tremendous capacity for drawing people into the stores. From the security standpoint, it is a pity perhaps that there exist these two irreconcilable objectives but, at any rate, the public will benefit even if they fail to appreciate their good fortune.

Industry Continues to Lag

Entering Period of Summer Dullness

CHAIN STORES

Their Efficiency Makes Enemies

WE call ourselves efficient and yet no sooner is a more economical method of doing business devised than some one has to rush to the fore in a misplaced effort to evoke sympathy for the less efficient members of the industry. There was the Federal Farm Board fiasco, a subsidy paid by the people to aid the inefficient farmer. There have been numerous cartels and price stabilization schemes—i.e., plans to raise prices above their natural levels. Now along comes Senator George P. Nye of North Dakota with a tirade against the chain store on the grounds that it is putting the independent merchant out of business. He represents the chain store as a monopoly and proposes to introduce two bills in Congress with

(*Please turn to page* 179)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1931 High	1931 Low	Last*
Steel (1)	$0.02⅜	$0.02⅛	$0.02¼
Steel (2)	0.01¾	0.01⅝	0.01¾
Pig Iron (3)	17.00	16.50	17.00
Copper (4)	0.10⅛	0.09	0.09
Lead (5)	0.05⅛	0.03¾	0.03¾
Petroleum (6) ..	0.81	0.51	0.51
Coal (7)	1.60	1.40	1.45
Cotton (8)	0.11⅛	0.09¼	0.09¼
Wheat (9)	0.75⅛	0.68⅛	0.75⅛
Corn (10)	0.68⅛	0.52	0.56¾
Hogs (11)	22.00	13.00	18.50
Steers (12)	17.00	11.50	13.50
Coffee (13)	0.09¾	0.08¼	0.09¼
Rubber (14)	0.08⅝	0.05⅞	0.06¾
Wool (15)	0.72	0.61	0.63
Sugar (16)	0.03⅛	0.03¼	0.03¼
Paper (17)	62.00	57.00	57.00
Lumber (18) ...	15.74	14.54	15.09

* May 16, 1931.

(1) Sheets, Pittsburgh, cents per lb. (2) Bars, Pittsburgh, cents per lb. (3) Basic Valley, $ per ton. (4) Electrolytic, cents per lb. (5) Pig (N. Y.) c. per lb. (6) Kan., Okla., 32-32.9 deg. $ per bbl. (7) Pitts., steam mine run, $ per ton. (8) Middling (Galv.) cents per lb. (9) No. 2, Hard, Winter (Kan. City) $ per bu. (10) No. 3, Yellow (Chic.) $ per bu. (11) Fresh loins, 10-12 lb. (N. Y.) $ per 100 lb. (12) 550-700 lb. (N. Y.) $ per 100 lb. (13) Santos, No. 4 (N. Y.) cents per lb. (14) Smoked Sheets (N. Y.), cents per lb. (15) Fine staple, clean (Boston), cents per lb. (16) Cuban raw 96 deg. deliv. (N. Y.), cents per lb. (17) News Rolls (N. Y.), $ per ton. (18) Yellow pine boards, f. o. b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—The stability shown last week in steel operations was evidently no more than a pause along the downward slope, for the latest reports indicate that ingot production for the country at large is now no more than 45% of theoretical capacity, a decline of 2% or more for the week. The price softness which was noticeable recently has gathered momentum and quotations now show a definite weakness. Of steel's principal customers, the automobile industry affords the brightest outlook but even here there is no guarantee that operations will hold up through June, although until then production is likely to be fairly satisfactory.

ELECTRICAL EQUIPMENT—The Department of Commerce reports that new orders for electrical goods received by 84 manufacturers during the first quarter of the present year totaled $181,265,000 against $208,934,000 for the corresponding previous period and with $314,329,000 in the first three months of 1929. This is about in line with statistics already received, and accounts for the disappointing showing of leading manufacturers. These, however, are now said to have perfected new economies so that even if sales for the second quarter show no improvement, results of the individual companies will be much better proportionately.

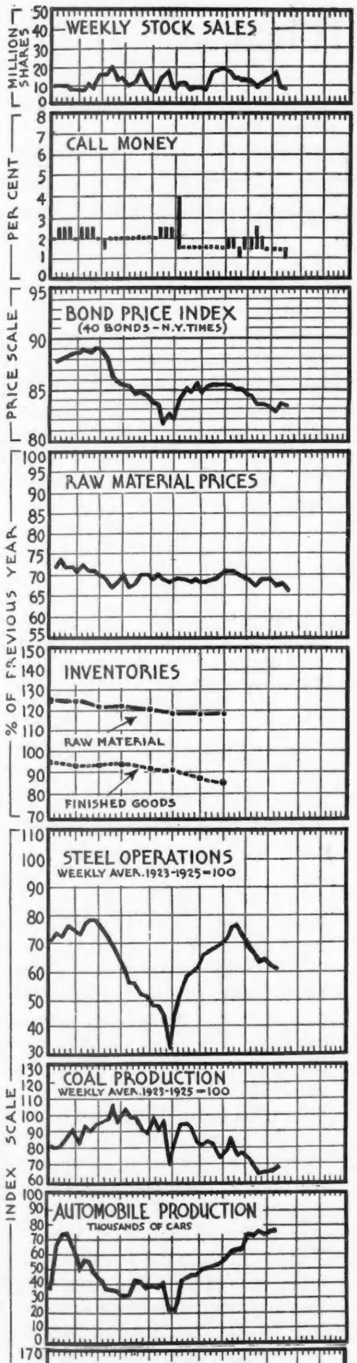
RAILROADS—At the present time there are many reports and much talk concerning a general increase in railroad freight rates. It is obvious that something must be done to better the position of the carriers when a road like New York Central fails to earn even fixed charges for the first three months of the current year. The cutting of wages, the only other remedy, appears at this time to be the more difficult of the two evils as the Administration has firmly set its face against this measure and in addition railroad labor is exceedingly well organized. There are numerous meetings of prominent railroad executives planned over the next few weeks.

PETROLEUM—Conditions in the petroleum industry still border on the chaotic, despite the fact that a slight bulge of improvement has been seen in recent days. This took the form of a small decrease in gasoline stocks for the week ended May 16, a decrease in average daily crude oil production over the same period and a slightly steadier tone to gasoline prices in comparison with their recent demoralization.

COPPER—This metal is now quoted at 9.275 cents a pound for export as against 9.525 cents a week or so ago. The new price stimulated both domestic and foreign sales and quite a large tonnage has changed hands on the strength of the reduction. Following the cut in the export price, however, there has been renewed weakness in the domestic quotation, which is now at 8¾ cents per pound, corresponding to the low point of 1886 and the lowest price for which copper has ever been sold in the United States. In view of this it is doubtful whether even the present reduced export price can be sustained. The American Bureau of Metal Statistics reported that copper production for April was smaller than in any month for a number of years. Production was 129,000 tons compared with 136,000 in March and 151,000 in April last year.

The Magazine of Wall Street's Indicators

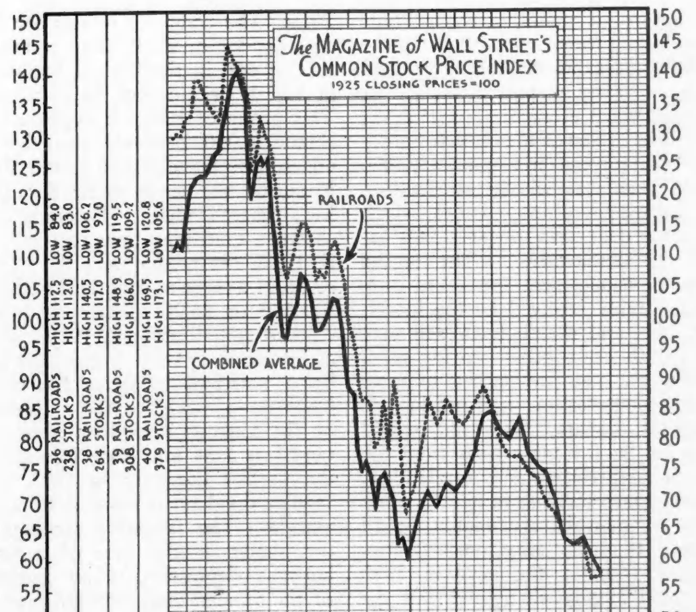
Business Indexes



Common Stock Price Index

1930 Indexes High	1930 Indexes Low	1930 Indexes Close	Number of Issues Group	Group	1931 Indexes High	1931 Indexes Low	Recent Indexes May 16	Recent Indexes May 23
140.7	59.9	62.0	405	COMBINED AVERAGE	84.4	57.1	60.1	57.1*
405.5	105.7	112.0	5	Agricultural Implements	142.4	73.6	77.5	73.6*
272.0	85.6	88.5	8	Amusement	121.2	66.1	77.3	66.1*
118.1	46.2	47.8	22	Automobile Accessories	76.9	47.8	51.8	48.8
78.4	24.5	25.5	20	Automobiles	37.0	22.9	24.6	22.9*
153.1	35.4	39.9	4	Aviation (1927 Cl.—100)	74.2	39.9	55.8	53.5
74.2	23.8	23.8	3	Baking (1926 Cl.—100)	38.4	21.2	21.7	21.2*
248.1	179.6	185.5	2	Biscuit	212.8	154.8	171.5	154.8†
262.7	123.5	128.6	5	Business Machines	162.2	107.3	111.7	107.3*
226.0	151.8	157.0	2	Cans	188.5	146.1	154.0	146.1†
248.5	124.3	126.0	8	Chemicals & Dyes	157.8	99.4	106.1	99.4*
107.9	34.4	35.4	3	Coal	71.8	35.4	47.3	43.3
121.8	46.2	48.3	22	Construction & Bldg. Mat.....	73.7	41.3	44.5	41.3*
211.7	67.0	70.4	12	Copper	92.4	54.3	59.8	54.3*
125.1	80.7	83.0	2	Dairy Products	98.0	80.4	82.9	80.4†
51.6	20.4	21.5	9	Department Stores	30.2	21.5	23.5	21.8
142.0	79.4	83.0	8	Drugs & Toilet Articles	120.4	83.0	94.6	91.8
239.1	114.9	115.8	8	Electric Apparatus	149.3	98.4	101.9-	98.4*
54.4	13.7	14.8	4	Fertilizers	21.5	11.9	12.0	11.9*
148.4	68.5	77.6	2	Finance Companies	91.3	63.4	66.7	63.4*
93.5	62.1	64.4	7	Food Brands	80.1	64.4	71.6	69.4
124.6	50.0	50.2	4	Food Stores	83.0	50.3	73.7	69.2
119.2	30.1	31.6	4	Furniture & Floor Covering....	51.7	31.6	35.0	35.2
92.5	28.6	29.9	7	Household Equipment	45.5	29.9	36.9	35.8
184.9	58.9	61.0	10	Investment Trusts	89.5	56.5	56.7	56.5*
170.0	51.5	52.3	3	Mail Order	96.3	52.3	72.1	68.4
142.5	50.9	52.4	39	Petroleum & Natural Gas.....	69.2	40.3	43.1	40.3*
175.2	36.8	37.2	8	Phono. & Radio (1927—100)..	68.8	37.2	41.2	38.5
305.0	141.1	150.4	20	Public Utilities	196.8	145.0	151.9	145.0‡
115.4	55.5	57.8	10	Railroad Equipment	73.1	44.5	47.4	44.5*
144.5	67.1	69.8	33	Railroads	88.4	56.9	56.9	57.0
153.1	78.9	81.9	3	Restaurants	100.7	76.4	76.4	76.8
88.8	28.9	28.9	5	Shipping	38.0	22.6	24.1	25.6
246.5	150.8	160.4	2	Soft Drinks (1926—100)	180.0	152.4	175.2	170.5
146.5	61.4	63.5	13	Steel & Iron	92.3	55.5	58.1	55.5
45.1	12.2	12.9	6	Sugar	18.9	12.2	12.3	12.2‡
268.7	163.0	170.2	2	Sulphur	218.0	143.6	154.8	143.6*
177.2	92.6	97.4	3	Telephone & Telegraph	132.4	97.4	103.6	98.8
70.5	21.1	23.7	6	Textiles	46.0	23.7	29.5	26.9
39.0	10.9	10.9	7	Tire & Rubber	15.8	10.8	11.3	11.3
107.3	57.5	59.3	9	Tobacco	78.6	59.3	70.5	68.0
103.5	63.2	67.2	5	Traction	86.1	66.3	66.3	68.1
88.7	66.5	68.5	2	Variety Stores	79.3	68.5	76.6	74.6

* New LOW record since 1928.
† New LOW record since 1929.
‡ New LOW record this year.



(An unweighted Index of weekly closing prices; compensated for stock dividends, rights, and splitups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

Our Personal Service Department is prepared to offer advice on any security in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Be brief.
2. Confine your requests to *three securities only.*
3. Write name and address plainly.

Special rates upon request to those requiring additional service.

GILLETTE SAFETY RAZOR CO.

Do you think the recent run-up in the market value of Gillette Safety Razor common has discounted the generally favorable impression created by the changes in executive personnel? Are dividend payments to be resumed in the near future? Shall I continue to hold 150 *shares for which I paid* 75?—*F. T. L., Everett, Mass.*

The position of Gillette Safety Razor Co. was greatly improved by the acquisition of Auto-Strop Safety Razor Co. last year, inasmuch as the competition by the latter company has been removed and the scope of the Gillette company has been widened. An immediate upturn in profits, of course, cannot be looked for in view of the heavy consolidation expenses, but a gradual upturn in earning power should be witnessed when economies are fully in effect. The report of the Gillette Safety Razor Co. for the first quarter of the current year was wholly satisfactory, as 52 cents a share was reported, which was after deduction of $600,000 reserve for obsolescence. The recent change in management appears to have been favorably received by the investing public, and shareholders will vote next month on a profit sharing plan, whereby the new president is to serve without compensation until net income reaches $5 a share. This plan would appear to be favorable both from the angle of the president and shareholders. While a sharp increase in quoted value for the common shares cannot be looked for over the near term, uncertainties which surrounded the issue in 1930 have been largely eliminated and the outlook at the present time is more constructive. Provided you are willing to hold for the longer term, we see no reason for disturbing your commitment of 150 shares made at higher levels.

DRUG, INC.

Will you please let me have your detailed analysis of Drug Common? I have 100 *shares at* 110. *Would you advise averaging under* 75?—*P. O. R., Beaumont, Texas.*

Drug, Inc., operates as a holding company, controlling among others, the following units: Bristol-Myers Co., Three-In-One Oil, Life Savers, Household Products, Chemical and Owl Drug. The company is also the largest operator of chain drug stores, operating 664 in the United States, 860 in Great Britain and 38 in Canada. This group of stores is augmented by about 10,000 privately owned stores which have franchises to handle Rexall Products, the trade name for Drug, Inc., merchandise. Earnings have shown a gratifying upward trend, and in 1930, net profits were $21,123,430 or $6.03 a share as compared with $17,013,543 or $6.90 a share on a much smaller capitalization in 1929. Financial position is very strong, cash alone being sufficient to cover the current liabilities of $12,516,027. Dividends on the common stock have been maintained at a $4 rate since formation of the present company in 1928. This regular dividend is covered by a wide margin. The favorable earnings record shown in the face of a serious business depression is an indication of the fundamental strength and ability of the management of this enterprise. We note that you have 100 shares purchased at 110, and would favor averaging, provided you plan to hold, ignoring fluctuations which may occur during periods of market weakness.

P. LORILLARD CO.

With the possibility of an increase in the wholesale price of popular brand cigarettes, would you approve of purchasing 200 *shares of Lorillard common around* 19? *Are dividend payments likely to be resumed later this year?—M. M. K., Pensacola, Fla.*

P. Lorillard Co. produces, in addition to the "Old Gold," the fourth largest selling cigarette, a line of smoking and plug tobaccos, Turkish cigarettes, and leading 10 cent and 5 cent cigars. In recent years it has been evident that P. Lorillard has been plowing back earnings into advertising expenditures in order to promote the sale of "Old Gold" cigarettes. Results for 1930 would appear to indicate that the company has turned the corner, since earnings jumped to $1.47 a common share, as against only 29 cents a share in 1929. "Old Gold" sales are reported to have held up well last year, but the principal reason for the sizeable increase in net earnings appears to be the higher wholesale quotations for cigarettes. An increase in the wholesale price of cigarettes would be reflected in increased earnings, but it must be realized that the company is still appropriating large sums for carrying on its extensive advertising and promotion campaigns. For this reason, resumption of dividends on the common stock does not appear to be in early prospect. The company was in a strong financial position at the close

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of 1930, with cash alone totalling $16,976,386 against total current liabilities of $1,473,838. While the shares must be considered speculative in character, the stock would appear to have attractive longer term possibilities, and we believe that a commitment later on when the general trend of the market is more favorable would prove profitable over the longer term.

GENERAL MOTORS CORP.

Early last year I purchased 300 shares of General Motors common at 60. Shall I continue to hold with the peak season for automobile sales nearing its end? Is the present dividend reasonably safe?—A. T. C., Topeka, Kans.

The activities of General Motors Corp. are widely diversified, its interests including a complete line of motor cars and trucks, Frigidaire, Delco Light, a 50% ownership of Ethyl gasoline, control of General Motors Radio, and sizeable interests in the Opel Works, the largest automotive manufacturer in Germany, Bendix Aviation and General Aviation. Operations of the corporation are world-wide, and the unit sales in the United States and Canada in 1930 accounted for more than 30% of the total automobile production in these two countries. Earnings in the first three months of the current year were equivalent to 61 cents per common share against 98 cents in the initial three months of 1930. While operations in the first quarter did not cover the 75 cents quarterly dividend, recent operations have been more satisfactory, and automobile sales to General Motors' dealers during the month of April were close to 30% greater than in the previous month. Recent reports would appear to indicate that dividends in the first half year will be covered. While the peak season for automobile sales likely is tending to decline, the Frigidaire branch of General Motors is operating at higher levels than in the corresponding period of 1930. The regular $3 dividend would appear to be reasonably safe at this time. We see no reason for sacrificing your 300 shares during the present period of market weakness, and suggest that you hold your commitment as an attractive medium for representation in the future of the automobile industry.

GENERAL FOODS CORP.

Considering current low commodity prices, doesn't General Foods common face a particularly favorable nearby outlook? I have in mind purchasing 500 shares for semi-investment as well as price enhancement. What is your opinion?—S. C. G., Aurora, Ill.

The General Foods Corp. operates more than 30 separate production divisions, and in addition, has various domestic and foreign sales divisions. The company manufactures and distributes about ninety food products of which close to thirty are nationally advertised. The company made a favorable showing in the first three months of the current year, a period of depression, as profits during this period declined only 7% from the corresponding three months of 1930. It is important to note that first quarter of 1930 was exceptionally profitable. Among the comparatively new developments of the company, the "Birds-eye Quick Freezing Process" is one from which the company hopes to derive large profits in time. The company closed the year 1930 in strong financial position, with current assets of $34,063,948, or more than five times current liabilities. The present commodity price situation is a favorable factor, as the company's products do not decline in price along with the raw materials. The present $3 dividend appears to be secure, and earnings for the full year 1931 are expected to approximate 1930 results, probably being in the vicinity of $3.25 a share. Expansion in earning power cannot be looked for during the period of depression, although it is likely that demand for well-known package foods will hold up at satisfactory levels. However, the longer term outlook is favorable, and we would favor a commitment as soon as the general trend of the market improves. Our market prospect in every issue will advise you when this time comes.

AIR REDUCTION CO., INC.

How do you rate Air Reduction common at this time? Its recent market action has been very discouraging, for I have 75 shares which cost me 140. Shall I continue to hold?—W. L. T., Fort Wayne, Ind.

Air Reduction Co., Inc., occupies an outstanding position as a manufacturer of oxygen, acetylene, nitrogen, and other gases through the reduction of air to its component parts. The company is also an important producer of acetylene and carbide for welding purposes and the necessary apparatus for their use in welding and cutting. Air Reduction holds a minority interest in U. S. Industrial Alcohol, and jointly with this company, controls the Pure Carbonic Co. of America, the second largest producer of carbon dioxide. The company's expansion program in recent years has been with a view toward diversification of operations, the most recent step along these lines being the acquisition of Arco Gas Products Co. of Texas, which enterprise specializes in the welding of pipe line, and concentrates its activities in the natural gas and oil fields. Prior to 1930, earnings of the company registered annual increases in each year since 1923. However, reflecting curtailed demand for its products, earnings for 1930 revealed a slight recession from those of the preceding year, net income amounting to $6.32 a common share, against $7.75 a share on a smaller capitalization in 1929. The downward trend of earnings was continued during initial quarter of 1931, net amounting to $1.21 a share as compared with $1.98 a share for the first three months of 1930. We believe existing unfavorable conditions to be of a temporary nature, and are of the opinion that liquidation of your holdings at the present time would be a sacrifice, and advise against it.

AMERICAN TOBACCO CO.

American Tobacco B has been recommended to me by a conservative house as an outstanding semi-investment around 125. I would like to have your opinion before I make the commitment. Is this company likely to maintain its leadership in the industry during 1931 in view of the keen competition?—W. D. E., Butler, Pa.

American Tobacco Co., in its present form, dates back to 1911, at which time the Supreme Court of the United States ordered the dissolution of the older company which was organized under the laws of New Jersey in 1904, as the successor to the business of W. Duke Sons & Co., organized in 1870. Demonstrating the aggressive management of American Tobacco, the company has grown consistently, and today ranks as the leader in the field. The company's products include the highly popular "Lucky Strike" cigarette, "Sweet Caporal," "Pall Mall," and "Lord Salisbury" cigarettes and "Bull Durham," "Half-in-Half," "Tuxedo" and "Blue Boar" smoking tobacco. In reflection of the company's liberal advertising appropriations, earnings have shown a consistent upward trend since 1915, net results for the year just passed exceeding those of the previous 12 months by 43%. Net income for 1930 amounted to $8.56 on the 4,687,054 combined common and common B shares outstanding, against $5.76 for the previous year, on the same basis. Financial position at the close of last year was impressive. Sales of "Lucky Strike" cigarettes for the initial quarter of 1931 exceeded those of the corresponding period of 1930, and when consideration is given to the increased advertising appropriation of the company for the current year, full 1931 results should, in our opinion, compare favorably with those accomplished in the year just passed. We regard the class B shares of the company as deserving of semi-investment consideration, and believe moderate commitments later on should prove

profitable over a reasonable period of time.

BEATRICE CREAMERY CO.

My broker tells me that Beatrice Creamery common could easily rise to 100 with any sustained forward movement in the general market. He also thinks that a dividend increase is possible. What do you think of buying 150 shares under 75?—J. J. S., Berkeley, Calif.

Beatrice Creamery Co. ranks as the third largest dairy enterprise, with operations, for the greater part, concentrated in the middle-west. The present company is the outgrowth of a business originally established in 1891, but expansion of facilities on a large scale has taken place within the last five years. Products of the company include ice cream, milk, butter, cheese and eggs, thus stabilizing earnings through diversification of operations. Although the company's activities, as pointed out above, have previously been confined to the middle-west, recent acquisition of the Carry Ice Cream Co. of the District of Columbia, and the Maryland Creamery Co. of Baltimore, Md., definitely place the company beyond this classification. Earnings in recent years have been relatively stable. Although net income for the fiscal year ended February 28, 1931, showed a slight increase to $3,354,025 from $2,489,353 for the preceding 12 month period, per share results registered a slight decline, in reflection of increased capitalization, amounting to $7.12 and $7.31 respectively. Financial position at the close of the last fiscal year was highly satisfactory, current assets amounting to $10,350,131 against current liabilities of $1,477,521, leaving net working capital of $8,872,610. In view of the favorable long term prospects for the enterprise, the shares offer a degree of attraction for price appreciation over a reasonable period of time, in addition to a liberal income return at prevailing quotations. We believe moderate commitments during recessions are justified as a representative equity of the dairy group.

BANGOR & AROOSTOOK RAILROAD CO.

I have read that Bangor & Aroostook common is a potential leader in any recovery in the rails because of the comparatively good earnings reported during 1930 and the first quarter this year. Would you recommend averaging on 200 shares, which cost me 81 last year?—K. S. W., Montclair, N. J.

Bangor & Aroostook Railroad Co., organized in 1891 under Maine laws, operates 600 miles of railroad, 260 miles of which, extending from Searsport to Van Buren, Maine, constitutes the main line. Approximately 40% of the company's revenues are derived from the movement of potatoes from its territory, which factor, accounts for the frequent reference to the company as the "Potato Railroad." It should not be overlooked, however, that pulp wood, manufactured goods, miscellaneous commodities, and bituminous coal contribute substantially to the revenues of the company. Contrary to the general trend of earnings of railroads during 1930, net income of Bangor & Aroostook for the 12 months ended December 31, 1930, registered an increase over those reported for the preceding 12 months. Net earnings for last year amounted to $1,557,761, equivalent, after preferred dividend requirements, to $9.26 a share, on 141,792 shares of $50 par value common stock. This compares with $1,398,432 or $8.46 a share on a slightly smaller capitalization in 1929. The increase in earnings last year may be attributed to the "bumper" potato crop, and to the concomitant influx of commodities to the farmers. Operations thus far during 1931 have shown some recession, results for the initial quarter of the year amounting to $4.20 a common share as compared with $5.68 a share for the corresponding period of last year. While we do not anticipate a substantial improvement in operating results during the early future, the management of the road is highly capable, which factor, bids well for the longer term future. Moreover, this railroad occupies a strategic position from the consolidation standpoint. In our opinion, prevailing quotations for the company's shares give cognizance to existing conditions, and we believe that accumulation of the stock during periods of market weakness is justified, where one is willing to exercise a degree of patience.

PURITY BAKERIES CORP.

Holding 250 shares of Purity Bakeries common at 66, I was somewhat encouraged by the recent report that the $3 dividend is likely to be continued. However, I would appreciate your unbiased views. Would you counsel that I continue to hold my stock, with the hope of recovery in market value?—F. J. E., Niagara Falls, N. Y.

Purity Bakeries Corp. ranks as one of the leading companies in the baking industry. At the close of 1930, the company had in operation 338 stores, 248 of which were located in New York City, 42 in Chicago, and the balance in Philadelphia. In addition, the corporation operates approximately 2,000 delivery routes supplying more than 100,000 retail stores. In reflection of greatly increased competition, with resultant price cuts, earnings of Purity Bakeries for 1930, declined to $4,130,872 or $5.13 a common share, from $5,652,285 or $7.02 a share reported in 1929. The unfavorable earnings showing was continued during the current year, net profits for the 16 weeks ended April 18, 1931, amounting to $630,995 equivalent to 78 cents a share, against $1,248,545 or $1.55 a share for the similar period of 1930. However, a notable improvement in operations was in evidence during April, and the management believes that continuance of present rate of operations during the balance of the year is more than a reasonable expectancy, thus, justifying the continuance of present dividend distributions on the common stock of $3 per annum. Financial position of Purity Bakeries at the close of last year was strong, current assets amounting to $4,159,908, against current liabilities of $1,192,557. Although the shares must be regarded as speculative, we are inclined to counsel further retention of present holdings with a view toward longer term developments.

Is Market Psychology Reaching Extremes?

(Continued from page 152)

Business is vitally dependent upon maintenance of this purchasing power, which in turn is wholly dependent upon earnings. Yet gross rail revenues this year probably will fall $5,000,000,000, or 23.5 per cent, under the 1923-1929 average. There is an even chance that approximately $1,250,000,000 of railway bonds will lose their legal status for investment by savings banks and insurance companies by the end of 1931.

Thus the predicament of the roads is literally a billion-dollar problem, of vital interest to fiduciary institutions, to thousands of individual owners of railway stocks and bonds and to every person who has a savings bank account or an insurance policy. It is a stock market factor of the utmost significance. The roads have carried economies to a virtually irreducible minimum, in some instances to the detriment of maintenance. They could find relief in wage and tax cuts but have little apparent chance of obtaining either, wage reduction being firmly opposed by the rail labor organizations and by the Federal Administration. The alternative to which they are now turning is a campaign for higher freight rates. How a formal request would fare at the hands of the Interstate Commerce

Commission is doubtful and higher rates, if granted, would obviously impose an additional burden on business at the worst possible time.

The majority of the railroads, of course, are in no danger of early receivership. They will survive the summer, benefit from a seasonal gain in car loadings and look anxiously for salvation in the form of genuine business revival next autumn. Without that basic improvement, the rail outlook does not make pleasant contemplation. Meanwhile the investor or speculator who seeks guidance on the market's general trend can do no better than watch the action of rail shares. On the average their recent low was only 16 per cent above the 1921 bottom, which was in turn the lowest level since 1898. No market rally will amount to much without a reversal of this picture.

Trade Tendencies

(Continued from page 174)

a view to tightening the existing antitrust laws. If the chain store can serve the public's needs at less cost than the independent merchant, then why should it be penalized and by what right is the public taxed to make good the lack of efficiency on the part of the other? And yet such is the general belief that the world owes every man a living, whether he earns it or not, that our politicians are steadily adding to the mountain of vicious class legislation which has already tied business hand and foot. The Supreme Court has just held that the Indiana Chain store tax law was valid—a law calling for a graduated scale of payments which imposes heavier and heavier burdens *per store* as the number increases. One might well ask the use of improvising improved methods of doing business in view of the widespread tendency to deprive the originator of such methods of his well-deserved benefits.

Dividends and Interest

Public Service Corporation of New Jersey

Dividend No. 96 on Common Stock
Dividend No. 50 on 8% Cumulative Preferred Stock
Dividend No. 34 on 7% Cumulative Preferred Stock
Dividend No. 12 on $5.00 Cumulative Preferred Stock

The Board of Directors of Public Service Corporation of New Jersey has declared dividends at the rate of 8% per annum on the 8% Cumulative Preferred Stock, being $2.00 per share; at the rate of 7% per annum on the 7% Cumulative Preferred Stock, being $1.75 per share; at the rate of $5.00 per annum on the non par value Cumulative Preferred Stock, being $1.25 per share, and 85 cents per share on the non par value Common Stock for the quarter ending June 30, 1931. All dividends are payable June 30, 1931, to stockholders of record at the close of business, June 1, 1931.

Dividends on 6% Cumulative Preferred Stock are payable on the last day of each month.

T. W. Van Middlesworth, Treasurer.

Public Service Electric and Gas Company

Dividend No. 28 on 7% Cumulative Preferred Stock
Dividend No. 26 on 6% Cumulative Preferred Stock

The Board of Directors of Public Service Electric and Gas Company has declared the regular quarterly dividend on the 7% and 6% Preferred Stock of that Company. Dividends are payable June 30, 1931, to stockholders of record at the close of business, June 1, 1931.

T. W. Van Middlesworth, Treasurer.

New York Stock Exchange

RAILS

	1929		1930		1931		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	5/20/31	Share
Atchison	298⅝	195⅛	242½	168	203⅝	143⅛	149	10
Do Pfd.	104⅞	99	108¾	100	108¼	102½	106½	5
Atlantic Coast Line	209½	161	175½	95¼	120	85¼	86⅞	10
B								
Baltimore & Ohio	145½	105	122⅜	55⅝	87⅞	53¼	55⅛	5
Bangor & Aroostook	90⅜	55	84½	50⅛	66¾	52	†51	3½
Brooklyn-Manhattan Transit	81⅞	40	78⅜	55⅛	69⅜	53⅞	56⅜	4
Do Pfd.	92⅝	76½	98¾	83	94¼	85⅜	91	6
C								
Canadian Pacific	265⅞	185	52¼	35¼	45⅜	24⅞	26⅞	1¼
Chesapeake & Ohio	279¾	160	51⅜	32⅜	46½	35⅜	35⅝	2½
C. M. & St. Paul & Pacific	44⅞	16	26⅝	4¼	8⅞	4¼	4¼	..
Do Pfd.	68⅝	28⅛	46¼	7¾	15⅜	7¼	7⅝	..
Chicago & Northwestern	108½	75	89⅞	28½	45½	29	31	4
Chicago, Rock Is. & Pacific	143½	101	125⅛	45¼	62½	34½	35½	5
D								
Delaware & Hudson	226	141½	181	130⅛	157¼	122½	125	9
Delaware, Lack. & Western	169¾	120¼	153	69½	102	52¾	54½	4
E								
Erie R. R.	93½	41½	63¾	22⅛	39¾	15½	16⅝	..
Do 1st Pfd.	66¼	55½	67⅜	27	45½	28¼	28¼	4
Do 2nd Pfd.	63⅞	52	62½	26	40½	26	†25	4
G								
Great Northern Pfd.	128¼	85⅛	102	51	69¾	43½	49½	5
H								
Hudson & Manhattan	58⅜	34½	53⅜	34⅞	44½	35¼	35¼	3½
I								
Illinois Central	153½	116	136¾	65¾	89	51	51	4
Interborough Rapid Transit	58⅜	15	39½	20⅜	34	19⅞	21⅛	..
K								
Kansas City Southern	108⅞	60	85⅝	34	45	28¼	†29	5
Do Pfd.	70½	63	70	53	64	48	†40	4
L								
Lehigh Valley	102¼	65	84⅞	40	61	44	†40	2½
Louisville & Nashville	154¾	110	138½	84	111	75	†68	7
M								
Mo., Kansas & Texas	65¾	27⅛	66⅝	14⅞	26¾	11½	13	..
Do Pfd.	107½	93⅞	108⅜	60	85	43	50	7
Missouri Pacific	101⅜	46	98½	20⅜	42¾	15⅝	17	..
Do Pfd.	149	105	145½	79	107	53	56	5
N								
New York Central	256½	160	192¾	105⅛	132¼	82¾	84½	6
N. Y., N. H. & Hartford	132½	80⅞	128⅛	67⅝	94⅞	63⅛	67¼	6
Norfolk & Western	290	191	265	181½	217	174¾	176	12
Northern Pacific	118⅞	75⅛	97	42⅜	60⅞	30½	35⅜	5
P								
Pennsylvania	110	72½	86⅝	53	64	44½	45¾	4
Pere Marquette	260	140	164½	76⅛	85	40	†35	6
R								
Reading	147¾	101½	141½	73	97½	60⅜	†62	4
Do 1st Pfd.	50	41½	50½	44½	46	40⅛	†40⅛	2
S								
St. Louis-San Fran.	133¾	101	118⅞	39¾	62⅜	15	16¼	..
St. Louis-Southwestern	115¾	50	76¾	18	33½	10⅛	10⅜	..
Seaboard Air Lines	21¾	9⅛	12½	⅛	1⅜	½	†½	..
Do Pfd.	41⅜	16¼	28	½	2⅛	⅞	⅞	..
Southern Pacific	157½	105	127	88	109½	73⅝	77½	6
Southern Railway	162⅛	109	136¾	46½	65⅞	29½	30⅛	8
Do Pfd.	100	93	101	76	83	55	55	5
U								
Union Pacific	297⅝	200	242¾	166½	205⅛	152½	153⅞	10
Do Pfd.	85½	80	88⅜	82¼	87	83⅝	86¾	4
W								
Wabash	81⅜	40	67⅜	11¼	26	10	†10¼	..
Do Pfd. A	104⅞	82	89¼	39	51	24	†22	..
Western Maryland	54	10	36	10	19⅝	10¼	10¼	..
Do 2nd Pfd.	53½	14⅝	38	11¼	20	11⅛	†10⅛	..
Western Pacific	41⅞	15	30¼	7⅛	14⅞	7	7	..
Do Pfd.	67¾	37½	53½	23	31⅝	14⅛	†10⅛	..

INDUSTRIALS AND MISCELLANEOUS

	1929		1930		1931		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	5/20/31	Share
Adams Express	34	20	37⅝	14¼	23½	13⅜	13⅝	1
Air Reductions, Inc.	223¾	77	156⅜	87½	109⅜	77⅜	77⅞	4½
Allegheny Corp.	56½	17	35¼	5⅜	12⅜	5⅜	5½	..
Allied Chemical & Dye	354¾	197	343	170¼	182¾	114½	116	6
Allis Chalmers Mfg.	75½	35⅛	68	31¼	42⅜	24½	24¼	2
Amer. Brake Shoe & Fdy	62	40⅛	54⅝	30	38	27	27	2.40
American Can	184½	86	156½	104⅝	129¾	95¾	96⅝	5
Amer. Car & Fdy	106½	75	82½	24⅛	38¾	18¼	18¼	3
Amer. & Foreign Power	199½	50	101¾	25	51¾	26⅝	29½	..
American Ice	54	29	41⅞	24½	31⅝	18¼	20	3
Amer. International Corp.	96⅜	29⅛	55⅜	16	26	12⅝	13⅝	..
Amer. Mchy. & Fdry	279¾	142	45	29⅜	43¾	31	33	1.40
Amer. Power & Light	175¾	64¼	119⅞	30⅛	64⅞	38	38	1
Amer. Radiator & S. S.	55⅜	28	39¾	15	21½	12⅞	12⅞	.60
Amer. Rolling Mill	144⅝	60	100⅞	28	37⅜	18⅝	18¾	..
Amer. Smelting & Refining	130¼	62	79½	37½	58½	30⅜	31⅜	4
Amer. Steel Foundries	79⅞	35¾	52¼	23½	31¼	13⅞	14¼	3
American Stores	514	120	55½	36½	48¼	37	41	2½
Amer. Sugar Refining	94¾	56	69⅞	39¼	60	42⅜	48	5
Amer. Tel. & Tel.	310¼	193¼	274¼	170⅜	201¾	164¼	166⅜	9
Amer. Tobacco Com.	232½	160	127	98½	128⅜	104	109	6
Amer. Type Founders	181	115	141⅜	95	105	64⅞	65	8
Amer. Water Works & Elec.	199	50	124⅝	47⅝	80¾	45⅝	46⅛	3

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 5/20/31	Div'd $ Per Share
A								
Anaconda Copper Mining	140	67¼	81½	25	43¼	25	26	1½
Arnold-Constable Corp.	40⅞	6¼	13¾	3⅛	7½	3⅝	4¾	..
Assoc. Dry Goods	70¾	25	50½	19	29⅝	19¼	20¾	2½
Atlantic, Gulf & W. I. S.S. Line	86⅞	32⅛	80⅜	33	39	18⅛	†18	2
Atlantic Refining	77⅞	30	51⅜	16⅝	23⅝	12½	13⅞	1
Auburn Auto	514	120	263¾	60⅜	295½	101½	204½	4
B								
Baldwin Loco. Works	66⅝	15	38	19⅜	27⅞	14½	14½	1¾
Barnsdall Corp. Cl. A	49⅛	20	34	8⅝	14½	6¾	7	1
Beech Nut Packing	101	45	70⅛	46⅜	63	49¼	49¼	3
Bendix Aviation	104¾	25	57⅜	14¼	25½	15⅝	17	1
Best & Co.	60⅞	25	56¼	30⅜	46¼	32¼	37¼	2
Bethlehem Steel Corp.	140¾	78¼	110¼	47⅜	70⅜	39¼	43¼	4
Bohn Aluminum	136¾	37	69	15⅜	40½	20¾	31⅞	1½
Borden Company	100½	53	90⅜	60⅛	76½	61⅜	62½	3
Borg-Warner	86⅞	26	50½	15	30⅜	17⅝	18⅞	1
Briggs Mfg.	63⅛	8½	25⅜	12⅛	22¾	10½	10⅜	1¾
Burroughs Adding Mach.	96⅞	29	51⅞	18⅜	32¼	21⅛	22¼	1⅛
Byers & Co. (A. M.)	192⅞	50	112⅜	33⅛	69¾	33½	35¼	..
C								
California Packing	84⅞	63½	77½	41¼	53	20½	22⅜	2
Calumet & Arizona Mining	136¾	73½	89⅞	28⅝	43⅜	28¼	29	..
Calumet & Hecla	61⅞	25	33⅜	7⅜	11⅜	6	6	..
Canada Dry Ginger Ale	98¾	45	75⅜	30⅛	43	29⅞	39¾	3
Case, J. I.	467	130	362¾	83⅛	131½	62¾	63¾	6
Caterpillar Tractor	61	50¼	79¾	22	52½	24½	24½	3
Cerro de Pasco Copper	120	52¼	65⅜	21	30¼	15¼	16	1½
Chesapeake Corp.	92	42⅛	82⅛	32¼	54⅛	36	36½	3
Childs Co.	75⅞	44¼	67⅝	22⅞	33⅜	18⅛	19⅞	2.40
Chrysler Corp.	135	26	43	14⅛	25¾	15⅞	16⅝	1
Coca-Cola Co.	154⅛	101	191⅜	133¼	170	141¼	141¼	7½
Colgate-Palmolive-Peet	90	40	64⅞	44	50½	41½	44	2½
Colorado Fuel & Iron	78½	27¾	77	18⅜	32¼	14½	15	..
Columbian Carbon	344	105	199	65⅛	111⅝	63	63⅜	5
Colum. Gas & Elec.	140	52	87	30⅝	45⅝	22½	24½	2
Commercial Credit	62⅝	18	40¾	15⅛	23¼	15	15½	2
Commercial Solvent	63	20⅛	38	14	21½	12	12⅛	1
Commonwealth Southern	24¾	10	20½	7⅛	12	8	8⅛	.40
Consolidated Gas of N. Y.	183¼	80⅛	136⅞	78¼	109⅝	82½	89¼	4
Continental Baking Cl. A	90	25¼	52½	16¾	30	10	10½	..
Continental Can, Inc.	92	40½	71⅝	43½	62⅜	45⅛	45½	2½
Continental Oil	47⅛	48	30⅛	7⅜	12	6	6¼	..
Corn Products Refining	126⅜	70	111⅜	65	86⅝	59½	60⅝	3½
Crucible Steel of Amer.	121¾	71	93⅝	50⅛	63	43¾	44⅝	..
Cudahy Packing	67⅞	36	48	38⅛	48⅞	37¼	37¼	4
Curtis Publishing	132	100	126⅛	85	100	74	76	4
Curtiss Wright, Common	30⅛	6⅜	14⅞	1¾	5⅞	2⅝	3	..
Curtiss Wright, A	37⅞	13¼	19¾	3	8½	3⅞	4⅜	..
D								
Davison Chemical	69⅛	21¼	43⅝	10	23	10½	10⅛	..
Drug, Inc.	126⅛	69	87⅜	57⅝	78¾	61½	70¼	4
Du Pont de Nemours	231	80	145¼	80½	107	77⅜	77¾	4
E								
Eastman Kodak Co.	264¾	150	255¼	142⅛	185¾	137	139½	8
Eaton Axle & Spring	76¾	18	37¼	11⅝	21⅞	10¼	12⅜	1.60
Electric Auto Lite	174	50	114⅞	33	74⅜	44⅝	45½	6
Elec. Power & Light	86⅝	29⅛	103½	34⅜	60¾	38	39	1
Elec. Storage Battery	104½	55	79¼	47½	66	50¼	52½	5
Endicott-Johnson Corp.	83⅜	49¼	59⅝	36⅞	41	30	33	5
F								
Firestone Tire & Rubber	37	24½	33⅛	15⅛	19¾	13	16	1
First National Stores	90	44½	61⅜	38⅝	55	41	48½	2½
Foster Wheeler	95	33	104½	37½	64½	34⅛	34½	2
Fox Film Cl. A	105⅝	19⅛	57⅜	16⅛	38⅜	12⅜	12⅜	4
Freeport Texas Co.	54⅞	23¾	55½	24½	43¼	25	25⅛	3
G								
General Amer. Tank Car	123⅛	75	111⅞	53⅛	73⅛	54⅝	54⅜	4
General Asphalt	94¾	42¼	71⅛	22⅜	47	18⅛	18½	3
General Electric	403	168⅛	95⅜	41½	54⅜	39⅛	39½	1.60
General Foods	81¾	35	61¼	44⅜	56	46⅞	46¾	3
General Mills	89⅛	50	59⅛	40⅛	50	40	40¼	3
General Motors Corp.	91¾	33½	54¼	31⅛	48	35¼	38¼	3
General Railway Signal	126½	70	106⅞	56	84⅛	49¾	52¼	5
General Refractories	88½	50	90	39	57⅜	33¾	33¾	4
Gillette Safety Razor	143	80	106⅛	18	38¾	21⅛	32¾	..
Gold Dust Corp.	82	31⅛	47⅞	29	42⅛	28⅝	28⅝	2½
Goodrich Co. (B. F.)	105¾	38¼	58⅛	15¼	20⅞	9	11	..
Goodyear Tire & Rubber	154½	60	96⅞	35⅛	52¾	32⅛	37¼	3
Granby Consol. Min., Smelt. & Pr.	102⅞	46¼	59⅞	12	22⅝	12¼	12¼	2
Grand Union	32⅞	9⅛	20⅝	10	18⅞	10⅝	15¼	..
Great Western Sugar	44	28	34½	7	11⅞	7¾	8⅛	..
Gulf States Steel	79	42	80	15	37½	14	15¼	..
H								
Hershey Chocolate	143⅞	45	109	70	103¾	87	89¼	5
Houston Oil of Texas	109	26	116⅞	29¼	68½	33½	34⅜	..
Hudson Motor Car	92⅛	38	62⅞	18	26	15⅛	15½	1
Hupp Motor Car	82	18	26⅝	7½	13⅛	7	7⅛	..
I								
Inland Steel	113	71	98	58	71	44	†42½	2½
Inter. Business Machines	255	109	197⅛	131	179¾	122⅛	134½	6
Inter. Cement	102¾	48	75⅜	49⅛	62½	28½	28¼	4
Inter. Harvester	142	65	115¾	45¼	60½	44⅞	45¼	2½
Int. Match Pfd.	102⅛	47	92	52¼	73¼	53	54½	4
Inter. Nickel	72¾	25	44⅜	12⅜	20⅛	11⅝	12¼	.60
Inter. Paper & Power "A"	112	57	31⅛	5⅛	10¼	4⅛	4⅛	..
Inter. Tel. & Tel.	149¼	53	77⅜	17½	38¾	18⅜	25⅜	2
J								
Jewel Tea	84½	45	66⅛	37	57½	39¼	41½	4
Johns-Manville	242¾	90	148⅜	48⅜	80¾	42⅛	43½	3
K								
Kennecott Copper	104⅞	49⅜	62¾	20⅛	31⅛	18¾	19¼	2
Kresge Co. (S. S.)	57½	28	36¾	26⅛	29	25	26⅛	1.60
Kreuger & Toll	46⅜	22⅛	35⅜	20⅜	27⅜	20¾	21½	1.60
Kroger Grocery & Baking	122⅛	38¼	48⅛	17⅛	35⅛	18	27⅜	1

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 5/20/31	Div'd $ Per Share
L								
Lambert Co.	157¼	80⅛	113	70¾	87⅞	66⅝	67⅛	8
Lehn & Fink	68½	28	36	21	34¾	24	25	3
Liggett & Myers Tob. B	106	80¼	114⅜	78¼	91¾	72½	73⅛	5
Liquid Carbonic	113⅞	40	81⅞	39	55⅛	26	28½	3
Loew's, Inc.	84½	32	95¾	41¾	63½	41½	41⅝	3
Loose-Wiles Biscuit	88⅜	39⅛	70¼	40¼	54⅞	42½	44⅛	2.80
Lorillard	31½	14¼	28⅛	8¾	20⅛	11⅜	16⅝	..
M								
Mack Truck, Inc.	114¾	55½	88½	33⅝	43⅞	27¼	28	3
Macy (R. H.)	255½	110	159¼	81⅝	106¼	79	79	3
Marine Midland	..	..	32½	17¾	24¼	18⅝	19⅜	1.20
Mathieson Alkali	72⅜	29	51⅜	30⅛	31½	18¼	18⅜	2
May Dept. Stores	108½	45½	61⅜	27¾	39	28⅝	30	2½
McKeesport Tin Plate	82	54	89½	61	103½	71½	77½	5
Mont. Ward & Co.	156⅞	42⅝	49⅞	15⅛	29¼	15¾	18⅜	..
N								
Nash Motor Co.	118⅞	40	58½	21¼	40⅞	27¼	28	4
National Biscuit	236¾	140	93	68⅝	83¾	62¾	64¾	2.80
National Cash Register A	148¾	59	83½	27⅝	39¾	25⅞	26	..
National Dairy Prod	86½	36	62	35	50¾	38¼	40	2.60
National Lead	310	129¼	189½	114	132	97½	97½	5
National Power & Light	71¾	23	58¾	30	44¼	25	25	1
North American Co.	186¾	66½	132⅞	57¼	90¼	62	65¾	§10%
O								
Otis Elevator	55	22¼	80⅜	48¼	58½	37⅛	37⅜	2½
Otis Steel	55	22¼	38⅞	9⅛	16⅜	6½	8	..
P								
Pacific Gas & Electric	98¾	42	74⅞	40½	54⅞	44¼	45	2
Pacific Lighting	146½	58⅛	107⅞	46	69½	50¼	53	3
Packard Motor Car	32½	13	23⅜	7¼	11⅞	6⅞	7	.40
Paramount Publix	75½	35	77¼	34¾	50¼	24⅞	25	2½
Penney (J. C.)	105¼	66	80	27⅝	39⅝	28⅛	33⅝	2.40
Phillips Petroleum	47	24¼	44¾	11½	16⅝	6	6⅜	..
Prairie Oil & Gas	65⅝	40½	54	11¼	20⅜	9	9⅜	..
Prairie Pipe Line	65	45	60	16⅝	26½	17⅞	19¾	3
Procter & Gamble	98	43⅛	78⅞	52⅝	71¼	62⅜	64	2.40
Public Service of N. J.	137¾	54	123¾	65	96½	72	77⅝	3.40
Pullman, Inc.	99¼	73	89⅜	47	58½	34⅛	34½	4
Pure Oil	30¾	20	27¼	7⅝	11⅞	5½	6⅛	..
Purity Bakeries	148⅝	55	88⅞	36	55¼	27	27¼	3
R								
Radio Corp. of America	114¾	26	69⅜	11⅜	27¼	12	16¼	..
Radio-Keith-Orpheum	46⅞	12	50	14⅜	24⅛	14⅞	15	..
Remington-Rand	57¾	20⅜	46½	14⅛	19¾	7½	7½	..
Republic Steel	146¼	62¼	79½	10½	25⅜	12	12¾	..
Reynolds (R. J.) Tob. Cl. B	66	39	58⅝	40	53	40⅜	48¼	3
Royal Dutch	64	43⅛	56⅛	36⅞	42⅝	27½	29⅛	1.34
S								
Safeway Stores	195¼	90⅛	122⅜	38¾	65¼	38⅝	48	5
Sears, Roebuck & Co	181	80	100⅝	43⅛	63¼	44⅞	50	2½
Shell Union Oil	31¾	19	25½	5¼	10¼	4½	4⅞	..
Simmons Co.	188	59½	94⅞	11	23¾	11⅜	13	..
Sinclair Consol. Oil Corp	45	21	32	9¾	15⅞	8	8¼	1
Skelly Oil Corp.	46½	28	42	10⅛	12⅞	3¼	4¼	..
So. Cal. Edison	93¼	45⅛	72	40⅛	54½	42½	43⅞	2
Standard Brands	44¾	20	29¼	14⅛	20½	16⅛	17½	1.20
Standard Gas & Elec. Co	243¾	73½	129¼	53⅛	88⅜	58	63½	3½
Standard Oil of Calif	81⅞	51½	75	42¼	51¾	33	35¼	2½
Standard Oil of N. J	83	48	84⅞	43½	52½	33½	34⅝	2
Standard Oil of N. Y	48⅛	31¾	40⅜	19¾	26	17⅝	17⅝	1.60
Stewart-Warner Speedometer	77	30	47	14¾	21⅞	10½	10⅞	..
Stone & Webster	201½	64	113⅜	37½	54½	33¼	34½	3
Studebaker Corp.	98	38¼	47¼	18⅛	26	17¾	18¼	1.20
T								
Texas Corp.	71⅞	50	60½	28¼	36¼	18⅝	20¾	2
Texas Gulf Sulphur	85¼	42½	67⅜	40¼	55¾	36⅞	38	4
Tide Water Assoc. Oil	23½	10	17¾	5⅞	9	4¼	4½	.60
Timken Roller Bearing	139⅜	58½	89¼	40⅛	59	41½	41⅜	3
U								
Underwood-Elliott-Fisher	181¾	82	138	49	75¾	46½	49	5
Union Carbide & Carbon	140	59	106⅜	52⅛	72	46	47⅞	2.60
United Aircraft & Trans	162	31	99	18⅜	38⅞	22½	28½	..
United Corp.	75½	19	52	13⅞	31¼	16⅛	20¼	.75
United Fruit	158½	99	105	46½	67¾	51¼	56½	4
United Gas Imp	59⅝	22	49⅜	24¼	37½	27⅜	28¾	1.20
U. S. Industrial Alcohol	243⅝	95	139⅜	50½	77⅜	30	30	2
U. S. Pipe & Fdy	55⅞	12	38¼	18½	37⅛	22⅛	23¼	2
U. S. Realty	119½	50½	75½	25	36¾	17	17¼	2
U. S. Rubber	65	15	35	11	20⅜	11¾	12⅝	..
U. S. Smelting, Ref. & Mining	72⅞	29⅞	36½	17½	25⅝	15⅞	16	1
U. S. Steel Corp	261¾	150	198¾	134⅜	152⅜	97	98⅝	7
V								
Vanadium Corp.	116⅛	37½	143¼	44⅜	76¾	37⅝	39	..
W								
Warner Brothers Pictures	64½	30	80¼	9¾	20⅜	4¾	5	..
Western Union Tel.	272¼	155	210¾	122⅛	150¾	101½	103⅛	8
Westinghouse Air Brake	67¾	26½	52	31¼	36⅛	25⅛	25⅛	2
Westinghouse Elec. & Mfg	292⅝	100	201½	88⅛	107⅜	57	60½	4
White Motor	53½	27¼	43	21⅝	26¼	16½	†16½	..
Woolworth Co. (F. W.)	103⅞	52¼	72⅜	51⅛	72⅝	54⅜	63⅜	2.40
Worthington Pump & Mach	137⅝	43	169	47	106⅞	52¼	53	..

† Bid Price. § Payable in stock.

Securities Analyzed, Rated and Mentioned in This Issue

Industrials

Bonds

Investment Trusts

Railroads

Mining

Public Utilities

Brooklyn Union Gas

(*Continued from page* 163)

discussion of the prospects of this company and that is the merger possibilities with Consolidated Gas Co., which is now by far the largest public utility organization in the metropolitan area. In 1928 Consolidated Gas acquired control of Brooklyn Edison Co. which supplies Brooklyn with electricity. This latter acquisition of course suggests the logic of Brooklyn Union Gas likewise passing to the larger metropolitan utility corporation. The materializing of a deal of this nature at some future date is a distinct possibility and if it does occur, certain definite advantages, such as increased economy of operation, may result. The possibility of the event adds a degree of speculative flavor to Brooklyn Union common stock, but irrespective of this development the company's future as an independent organization seems reasonably assured.

Commerce Underground

(*Continued from page 155*)

These terminals are huge storage plants located with a view to supplying certain definite and large areas. The terminals ship by tank cars and occasionally by trucks to those company warehouses, bulk plants and customers which cannot economically be served direct from the refinery.

The company's warehouses carry various petroleum products in barrels and cases and ship either by truck or by railroad. The bulk plants are in reality miniature reproductions of the terminals. Every large oil company has hundreds of them. The bulk plants supply the company and independent service stations and other customers not taking tank car shipments. Bulk plants seldom distribute by tank cars. Their chief reliance is upon tank trucks.

It is evident from this outline that the tank truck is a highly important link in the distribution chain of the oil industry. This is graphically illustrated by the Standard Oil Co. of New Jersey which operates the largest motor trucking fleet in the world. This company's truck system consists of more than 16,000 units representing an investment of about 85 million dollars, divided equally between domestic and foreign operations.

But before drawing any too broad conclusions as to the effects of pipe lines on the truck business we must look into the future. Several possibilities must be considered. Some authorities say the pipe line will be limited to carrying the crude from the well to the refinery and gasoline from the refinery to the large terminals or storage plants. Tank cars to the bulk plants and tank trucks to the final outlets will, they maintain, complete the operation.

More optimistic persons contend that in a short time pipe lines will run from the refineries to both terminals and bulk plants as well as to airports, super-service stations and to the large distributors and large customers.

Finally, there are other prophets who, somewhat fantastically it seems, foresee the day when pipe lines will pursue their snake-like way to wherever gasoline and other petroleum products are used, even into your home and mine. This last prophecy is so far in the future it is best to dismiss it so far as its influencing the near future.

As to the two other predictions it seems reasonable to suppose that if it is profitable for an oil company to pipe gasoline to its terminals it is equally profitable to pipe it direct to the numerous bulk plants, thereby making the use of terminals unnecessary. And, if the terminals should become unnecessary then the tank truck would enjoy an even larger measure of popularity than it now does. In fact it is not asking too much of credulity to foresee the day when the refinery will refine the gasoline and send it through pipes to the bulk plants for delivery to practically all retail outlets and customers by tank truck. In this event the use of tank trucks would increase beyond calculation. Thus, what the railroads would lose the pipe line and the tank truck, and hence the truck manufacturer, would gain.

Effect on Shipbuilding

There are still other industries which have either felt or will eventually feel the effects of this growth of pipe lines. One of these is the shipbuilding industry. At present tank steamers are in constant service carrying crude oil and refined products from the California, Texas and Louisiana fields to refineries and terminals on the Eastern Seaboard. It is likely that with more and more pipe lines being built the use of these tank steamers will decline. Even today it is possible to move oil from the Texas and mid-continent fields to refineries on the Eastern Seaboard. Still other pipe lines traversing the same general territory are now under construction.

So evident is it that the expansion of pipe lines benefits the steel industry that comments seems superfluous. But the extent of this new business for the steel industry is important enough to justify passing mention. For instance, an order for 50,000 tons of steel was placed for a 155-mile link of natural gas line. Another company recently announced it had placed an order with one of the large steel companies for 325,000 tons of 12-inch steel pipe to be used for a relatively small pipe line in connection with its properties in the new East Texas oil fields. In the construction of another line 210,000 tons of 24-inch pipe and 100,000 tons of smaller pipe, 8 inches to 16 inches in diameter, will be used. These are just a few scattered items. But they do indicate that the development of pipe lines is an important consideration in the prosperity of the steel industry.

New pipe lines are continually being projected. Three long distance gasoline lines and numerous smaller ones are now being constructed. Natural gas is still finding new markets and hence a need for more pipe lines. The present system of crude oil lines is by no means complete. So long as new wells are drilled, and new oil fields opened up, new crude oil lines will be required. It will be many years before these new veins of industry and commerce will have distributed themselves to all parts of the nation's anatomy.

Although oil and natural gas lines are only in the initial period of their growth and usefulness a few other industries are beginning to contemplate the possibility of sending their products through pipes. Several pipe manufacturers have already conducted experiments to determine the feasibility of sending pulverized grain, flour and coal through pipes for long distances.

While some may scoff at the prospects of sending these commodities through pipes we must not forget that what is impossible today is frequently routine tomorrow. In fact, the present pipe line network easily proves that.

The Ohio Power Co. 1st & Ref. 4½s, 1956

(*Continued from page 161*)

1951, at 100½ thereafter to June 2, 1954, and at 100 thereafter to maturity.

Figures covering 1930 are not yet available, but at the end of 1929 the company had outstanding $57,527,000 funded debt, $17,668,800 of 6% preferred stock and 1,165,375 no-par shares of common stock all owned by American Gas & Electric Co. Gross earnings for 1929 amounted to $17,251,745 and net after operating expenses, taxes and depreciation and after crediting other income amounted to $9,463,597. This was equivalent to 2.71 times the bond interest and other charges. In 1928 these charges were earned 2.75 times.

Containers Compete With Themselves

(*Continued from page 165*)

board. And its opening wedge is the fiber milk container.

Now the glass milk bottle business in itself is nothing to be despised. Thatcher Manufacturing Co. for example, which is exclusively engaged in this production, has an annual capacity of well over 150,000,000 bottles, while it was only recently that the Owens company acquired two other concerns in an effort to obtain some of this profitable business. The newcomer is Sealcones, Inc., makers of a machine which takes a roll of paraffined paper at one end and turns out filled bottles at the other on a royalty basis. The dairy companies are now said to have found a remedy for their breakage

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New York Curb Exchange

IMPORTANT ISSUES

Quotations as of May 21, 1931

Name and Dividend	1931 Price Range High	1931 Price Range Low	Recent Price
Aluminum Co. of Amer.	224	113½	117
Amer. Commonwealth Pr-A (Stk. 10%)	17	11⅛	12
Amer. Cyanamid "B"	12¾	6⅜	7¼
Amer. Founders	5⅛	3	3
Amer. & Foreign Pwr. War.	31⅛	14¼	16¼
Amer. Gas Elec. (1)	97½	60⅛	62⅝
Am. Lt. & Traction (2½)	54⅛	39⅛	39⅛
Amer. Superpower (.40)	19⅛	9⅝	10⅞
Assoc. Gas Elec. "A" (2)	23¾	17⅛	18
Brazil T. L. & P. (8% stk.)	28½	13⅜	15⅝
Central Stat. El. (10% stk.)	12½	8	8¼
Cities Service (.30)	20¾	9⅜	11
Cities Service Pfd. (6)	84¾	71	75½
Commonwealth & South. War.	2¾	1⅝	1⅝
Com. Water Ser. (.12½)	12½	8	10⅞
Cord Corp.	15	5⅞	10⅞
Crocker Wheeler	14⅛	7¾	9
Deere & Co. (1.20)	44¾	22	25
Durant Motors	3¼	1¼	1¾
Elec. Bond Share (6% stk.)	61	38	39⅛
Ford Motor of Can. A (1.20)	29¼	16⅛	16½
Ford Motors, Ltd. (.36⅝)	19⅞	12⅜	12¾
Fox Theatre A	6⅛	2⅛	2⅜
Gen. G. & E. Conv. Pfd. B (6)	78	50¼	65¾
Gold Seal El.	1⅝	¾	⅞
Gt. A. & P. Tea N-V (6)	260	167½	197
Goldman Sachs T.	11¼	5¼	6⅛
Gulf Oil (1.5)	75½	45	45⅜
Hudson Bay M. & S.	6⅜	4	4

Name and Dividend	1931 Price Range High	1931 Price Range Low	Recent Price
Humble Oil (2½)	72	52⅜	53⅛
Insull, Invest. Inc. (6% stk.)	49¼	29½	31
Internat. Pet. (1)	15⅛	10⅝	10⅝
International Utilities B	10⅞	5¼	6⅝
Lone Star Gas (new) (.88)	25	14⅛	16⅛
Mid West Util. (8% stk.)	25¼	17⅛	18¼
Mo., Kansas Pipe Line	11	4¼	4¾
New Mex. & Ariz. Land	3	1⅛	1⅛
Newmont (4)	58⅞	29	29⅛
Niagara Hudson Power (.40)	15½	9¼	10⅛
Niagara Hudson Pwr. A war.	3¼	1¾	2⅛
Do B war.	8⅛	5⅛	5⅛
Pennroad Corp. (.20)	8½	5	5⅜
Public Util. Holding Corp. of Amer.	6⅞	3¼	3¼
St. Regis Paper (1)	21½	11⅞	12⅜
Salt Creek Producers (1.40)	7¾	4⅝	5
Selected Industries	4⅞	2½	3
Standard Oil of Ind. (2)	38½	24¼	24½
Standard Oil of Ky. (1.60)	23⅝	16⅞	16⅞
Stutz Motor Car	28	18½	23¾
Transcontinental Air Trans.	8⅜	3⅝	6⅝
Trans Lux	13¼	6⅝	7⅜
United Founders	10¼	5⅛	5⅛
United Lt. & Pow. A (1)	34½	19½	20
United Gas Corp.	11⅞	5¾	6⅛
U. S. Elec. Pwr. (w. w.)	8⅜	4	4
Utility Pow. & Lt. (1.02½)	14½	6¾	7⅝
Vacuum Oil (2)	69¾	30⅞	31⅛

problems and the expensive business of exchanges, washing and washing machinery. At least two of the largest, National Dairy Products and Borden, are beginning to use the new container.

In addition to the advantages already enumerated it is claimed that these paper bottles can be filled at a much lower temperature than is possible with glass and therefore that less ice need be carried by the delivery trucks; that they weigh very much less; and occupy, when used for milk, about half the space of a glass container. Perhaps their only disadvantages lie in the usual public aversion to anything new and that a number of states require that milk delivered to the householder shall have a clearly discernible cream line on the bottle. While paper bottles are to some extent translucent, there is some doubt as to whether they meet with the full requirements of this law.

Treated fiber or cardboard which even now so definitely offers a threat to the milk bottle division of the container industry, is also something for the tin can to think about. Experiments have undoubtedly been carried out using this material instead of a can for packing foodstuffs and, while not yet successful, there is a magic in modern chemistry which one hesitates to limit. Incidentally attempts have also been made to develop a cellulose container on the order of cellophane and it is just possible in the distant future, that this product will become an important factor in the field.

A section of the container industry which has not yet been touched upon is the untreated cardboard division which, although it has a competitor in tin to some extent as in candy boxes, is more affected by conditions inter-industry than extra-industry. In fact if this business could only clean its own house, it would have little to fear from the outside. Container Corp. of America is a typical company in this division, where overproduction, cut-throat competition and other prevalent evils are having a gala time. The company manufactures solid fiber containers, corrugated paper and containers, folding boxes and allied products, using waste paper as the principal raw material. Throughout the industry, productive capacity has increased much faster than demand and as no one company controls even 10% of the business, a regular "free-for-all," with price cutting the principal weapon, has developed. These unsatisfactory conditions are concisely reflected in the Container company's report for 1930, which showed net income of $105,166 against $774,418 for 1929 and $1,410,000 for the banner year 1927. The outlook is obscure because until the majority of the eighty-odd concerns in the field of which at least 20 are estimated to be direct competitors of Container, can agree upon some form of rationalization there is no reason to expect much improvement.

While the foregoing must not be considered complete, it will serve to indicate the great breadth of the container industry and may be used perhaps as a base for further inquiry by the individual needing guidance as to the manner in which the various divisions interlock one with the other. Mention should also be made of the new quick freezing process whereby the natural flavor of nearly all foodstuffs is fully preserved. This comparatively new development may prove a serious rival for the whole container industry, be it can, glass jar or treated cardboard, by influencing a decrease in the consumption of foods now packed in containers of some kind.

Auburn—a Bull Stock in a Bear Market

(Continued from page 159)

automobile shows and the financial district began to be flooded with reports of record-breaking sales. To what extent sales were aided by stock market publicity and to what extent the stock's advance was a true reflection of company developments is one of those puzzles as baffling as determining whether the chicken precedes the egg or vice versa. Certainly the action of the stock commanded a public notice that millions in advertising could not have bought. And certainly the Auburn management, from Cord down, revealed that it knew just as much about publicity as about building and selling cars.

Cord announced that Auburn would turn out more than 40,000 cars in 1931, as compared with less than 13,000 during 1930. Whether this prediction will prove accurate remains to be seen but sales for the first five months of Auburn's fiscal year, up to May 1, amounted to 18,338 cars, against 6,117 in the corresponding period of the preceding year.

Auburn's Chicago publicity office began to function overtime putting out favorable statements date-lined Auburn, Ind. One of these credited the advance of the stock to knowledge by dealers, parts manufacturers and others of "recent favorable developments in Auburn's outlook." Another carried the inference that no pool manipulation was involved, adding that "the whole activity is the result of what our company has been doing in the way of production." There can be no question but that this campaign of publicity was effective. It perhaps reached the height of shrewdness when Auburn sent the following telegram to ninety firms from which it buys parts and materials:

"We want to impress upon you the

fact that our line has met with phenomenal acceptance and orders are coming in so rapidly that the situation will be serious if we are unable to make deliveries due to shortage of materials."

The keynote of Auburn's success appears to be alertness to changing conditions. This suggests that small corporate size need not be a handicap but may even be advantageous in permitting elasticity of policy. Since 1925 Auburn has managed to hold its own in engineering, styling and merchandising. Whether there is any permanent significance in its present spurt, of course, must remain to be seen. How it would fare without Chairman Cord, for example, is worth pondering. Furthermore, other motor makers from time to time have temporarily set the pace, only to see competitors subsequently overtake them in a race that never ends.

Auburn earnings for the first fiscal quarter, ended February 28, amounted to $202,409, or $1.06 per share, a rate which, if projected through the year, obviously would fall far short of justifying recent prices for the stock. This does not reflect heavy March, April and May sales, however, and may also have been held down by conservative charge-offs for development expenses. Official figures bearing upon the true current earning power are lacking. The second quarter report will provide a better indication as to how far the stock has actually soared above a base of reality in its flight of speculative fancy.

Meanwhile we have been treated to a very striking demonstration of what can be done with adroit publicity and effective bullish manipulation even in a bear market, provided support is afforded by a favorable industrial setting.

Diamond Match

(*Continued from page* 171)

At the time this sale was consummated the new common shares were quoted on a "when issued" basis on the Curb Exchange at 15 and had been as low as 11½. Accordingly the potential investor, while examining the gradual downtrend of earnings in the last decade, also must consider that the action of banking interests in paying $37.14 per share for the stock presumably takes into account factors and possibilities not fairly reflected in the current market valuation.

The preferred stock which shareholders received in exchange for the old common in itself makes up $7.50 of the old $8 dividend on common and

MARKET STATISTICS

	N. Y. Times	Dow, Jones Avgs.		N. Y. Times 50 Stocks		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Monday, May 11	83.71	151.56	86.35	141.90	137.87	1,650,103
Tuesday, May 12	83.71	150.24	84.68	139.89	137.09	1,334,300
Wednesday, May 13	83.68	149.63	83.31	139.43	135.99	1,666,610
Thursday, May 14	83.51	146.64	80.68	137.88	134.41	1,770,790
Friday, May 15	83.24	144.49	79.63	134.82	130.77	2,380,350
Saturday, May 16	83.34	142.95	79.40	133.21	131.40	762,930
Monday, May 18	82.95	139.52	75.58	131.20	125.98	2,536,065
Tuesday, May 19	82.64	138.86	75.85	128.84	124.93	2,778,355
Wednesday, May 20	82.68	137.74	76.69	130.27	125.02	2,319,825
Thursday, May 21	82.63	139.54	79.05	129.13	123.98	2,352,580
Friday, May 22	82.77	139.49	79.74	129.61	126.51	1,558,290
Saturday, May 23	82.92	137.90	78.81	128.83	126.70	550,110

in addition, prior to the recapitalization, a special dividend of $25 was paid. Thus the interlude, expected to be brief, in which the new common is without a dividend, has been generously compensated for.

The purpose of the recapitalization, as officially explained, is to extend the company's scope of activity to wider markets, with increased diversity of production and sales; to provide cash for future expansion without senior security financing and without weakening cash resources and liquid assets; to increase and further insure the stability and permanence of the business and its profits; and "to pay reasonable dividends and to hold up—through dividend disbursements, as well as balance sheet strength and net assets—the market value of the company's capital stock, both preferred and common, as far as economic and competitive conditions and sound conservative business procedure will permit."

The future price of the common shares naturally will depend largely upon the success of the expansion plans herein indicated but not revealed in detail. Large holdings of cash and book value of $39.21 per common share are favorable features. Recently there has been some lessening of cut-throat domestic competition in match sales and tariff adjustments have checked the harmful influence of foreign dumping.

The 1931 outlook, as far as it can now be seen, suggests a year of average volume in the match business but of continued low average prices. It is the belief of the Diamond management, however, that prices of its products will show a tendency to rise from established low levels rather than to fall still lower. The general lumber market threatens to remain depressed and unsatisfactory for some time to come, and profits in miscellaneous merchandising, retail lumber yards, etc., will continue to depend largely upon the country's general economic condition. It seems probable, however, that 1930 will stand as the low record year in volume, prices and profits, particularly in domestic match manufacture and sale.

The Big Problems Before the World

(*Continued from page* 141)

back sanity. Only then can we succeed in working out of our present difficulties, adjust our production to the true size of the existing markets and lay far-sighted plans for the regulation and expansion of output. From the present outlook it would seem that until the less advanced people are lifted to a higher standard of life and can demand and pay for more goods, the leading nations of the world will have ample opportunity to practice their national self-sufficiency!

Even our own country may find it necessary to revamp its agriculture as to produce only enough wheat and cotton for the needs of our own people. Every wheat-growing nation cannot continue to produce to the limits of natural bounty and expect to sell at a profit in world markets. If we or any nation, feel the economic need for larger foreign trade it appears that we will have to foster that trade by colonial development and through the process of greater distribution of wealth.

Such a program now necessitated by the problems before the world will not of course be consummated over-night. Its accomplishment demands thought and planning in every civilized country; but adversity will prove, as it always has, a challenge to human ability to resurrect itself from temporary difficulties and press forward to new heights.

Europe Picks on Our Tariff as a Political Expedient

(*Continued from page* 150)

can tariffs. The fact is that the business storm which has overtaken the world has compelled almost all of the nations to take at least temporary tariff measures to protect their own status quo. They are all trying to establish water tight compartments, in order, as they think, to keep their own part of the ship afloat while international trade as a whole sinks to the depths.

Another departure of the Tariff Commission is perhaps responsible for the fact that so few foreign nations have taken advantage of their right of appeal for a change in the rates. That is the earnest effort of the Tariff Commission to establish fair valuations for goods subject to duty. Unlike most tariffs, the American tariff law makes the foreign valuation the basis to which the rate is applied, the general custom being to make the c. i. f. valuation the basis. Incidentally, this is a fact always to be kept in mind when comparing the tariff rates of various countries. Obviously a tariff rate that is applied to goods after the expenses of insurance and freight have been added to cost is, in effect, much higher than the same nominal rate applied to cost only. When an American firm asks for a higher tariff it has to show its cost records to the Commission. Now the commission is making an especial effort to ascertain foreign costs, so that fair comparisons can be made. To that end John F. Bethune has been established in Brussels as the special foreign representative of the Commission for the purpose of encouraging European exporters to put their facts on the table. In other words, the Commission is deliberately encouraging foreign exporters to present facts that may controvert data submitted by citizens. When this plan is fully carried out and the foreign exporters co-operate there will be no room for allegations of unfair valuations, either in investigations or in appraisals at American custom houses.

This article is not intended to be a defense of the tariff schedules of the new tariff act, nor of the act itself, outside the flexible tariff provisions (although, owing to the world business crisis, it has probably been less harmful than its opponents believed it would be, and more helpful than its friends foresaw). But the world is in a fever of tariff raising, with which our own raises happen to synchronize, fortunately, in many instances.

While it is true that in 1930 the American tariffs worked out in actual practice to 47.1 per cent ad valorem of the dutiable goods imported, the customs revenues collected were only about 16 per cent of the total value of of the goods imported, free and dutiable. From the point of view of international trade restriction the relation of duties collected to the entire value of imports is more significant than that of the collections to only dutiable goods. On this basis it will be seen that even when our *present duties* are compared with duties of other countries *before their recent changes* (as in the accompanying cartoon) many other nations have higher rates. Besides, the difference between foreign and c. i. f. valuations makes the American rates lower than they seem to be.

Great Britain boasts, or complains, of being a free trade country outside of certain "safeguarded" industries, but she actually collects "revenue" duties on imports that are practically the same in total amount as the income the United States receives from its frankly protective duties. Thus, in 1929, the United Kingdom's customs revenues totaled a little under $600 million, and those of the United States a trifle over that figure. The free part of the American tariff law constitutes the greatest free trade market in the world. It is also a curious fact that American imports have steadily increased after each new higher tariff law —a fact that suggests that our scheme of duties, high though it is, is not such a barrier to international trade as it has been represented to be. While it is undoubtedly true that an impartial court, overhauling the American tariff schedules, would find many of them relatively high, it is probable that it would

also find that when simplicity and sincerity of statute and administration are taken into consideration many other nations have gone further than we have in clogging mutually beneficial international trade. The chief reason why high American tariffs are singled out for attack by foreign interests is that all the world owes us, and must pay us with goods, but finds the settlement process sadly blocked by our tariffs on manufactured goods. Low American tariffs would facilitate the payment of their debts—and at the same time give them access to the best market in the world. But that gets us into another subject—that of international political debts.

No doubt, after the present depression is over, there will be a new urge toward lower tariffs the world over. The statesmen of Europe admit in principle in their current conferences in Geneva that less tariff and more trade is what they all need. When it comes to an impartial undertaking to reconstruct the tariff fabrics of the world to mutual advantage the United States will doubtless be present. But it might be well in the meantime for Europe to take a leaf out of American experience and rearrange its own tariffs in such a manner as to create a vast home market.

Russia Menaces Both Labor and Capital

(*Continued from page* 148)

that of oil. In view of the surplus production of oil in the United States and the world generally, and the resulting depressed condition of the industry, the forcing of Russian oil exportation has created great alarm, and is daily taken into consideration by every producer and buyer of, and every investor and speculator in oil. Export prices are said to be 10 to 15 per cent below world prices. Oil ranks third in American exports and the prosperity of the industry depends upon them.

In oil as in everything else the Soviet authorities find the private capitalistic industries of other lands ready and keen to help them for the sake of immediate profit.

The Standard Oil Company of New York despite the tremendous overproduction of oil in the United States, has been purchasing gasoline and kerosene from the Soviet oil trust and selling it in the Near and Far East, where it is displacing American products. At the same time the Russians have been dumping oil in Switzerland, Belgium, England, Ireland, Austria, Italy and elsewhere at a price about equal to the cost of transportation—again to get cash at any cost, and incidentally disrupt normal distribution. While keeping their own people in the dark as to these export prices they cite the sales, for foreign social disorganization purposes, as proof to the world "that they produce more cheaply than the capitalists and show the safe, sane and unwasteful methods of the Soviet government." I understand that the Royal Dutch Shell and other oil interests would like to enter into an understanding with the Soviet government to stabilize the selling and distributing of Russian oil, but that American oil interests prefer their present alliance with the Russians despite the fact that the latter continually undercut Standard prices of Russian oil products. When one contemplates our great American corporation's apparently self-destructive policy he wonders whether we are not afflicted with the madness the gods first communicate to those whom they would destroy.

The budget allocation for the production of industrial machinery from 1929 to 1933 calls for about six billion rubles. The output last year was greatly in excess of that for the year before, except in steam turbines and textile machinery. Although the program calls for about doubling the industrial machinery output in 1931 it will not be realized, and the necessity will continue for importing heavy machinery on a large scale.

The capacity of the agricultural machinery plants is growing rapidly. The present output of automobiles and tractors remains disappointingly small, due largely to mismanagement and the stupefying inefficiency of the workmen, although large compared with approximately zero four years ago. The ultimate schedule for tractors, mainly for agricultural use, is 175,000 a year, and of automobiles 250,000. This output will still leave a large room for imports if the agricultural programs are carried out. Naturally, the progress of the motor industry in Russia is largely to the credit of the cooperating American firms.

Impressive advances are being realized in iron and steel production and marked progress is being made in the production of copper, zinc, lead and manganese ore. Of the latter the largest and highest grade deposits in the world are found in Russia, providing an inexhaustible supply for manganese steel and other uses. Imports of copper, lead, zinc, tin, aluminum and nickel are large but are being reduced where possible. For example the French have contracted to construct two aluminum plants on the Dneiper with an output of 20,000 tons annually.

As an aside, this latter development is amusing for the reason that although the French are disturbed over the fact that the aluminum output is to be used for airplane construction, under German direction, apparently however the desire for immediate profit transcends all else. Let the future take care of itself!

While it is true that so far the harm Russian development may have done to us is almost entirely through disruption of our trade with other countries, and

Soviet-American Trade from 1923-24 to 1929-30

(In Thousand Dollars)

Soviet Fiscal Years (Beginning Oct. 1)	PURCHASES: Amtorg Trading Corporation*	Other Organizations	Total	Per Cent Gain Over Preceding Year	SALES: Amtorg Trading Corporation*	Other Organizations	Total	Per Cent Gain Over Preceding Year	Total Trade Turnover	Balance in Favor of United States
1923-24	4,092	39,824	43,916	......	1,631	5,214	6,845	......	50,761	37,071
1924-25	40,859	46,079	**86,938	97.9	6,671	8,737	15,408	125.1	102,346	71,530
1925-26	13,157	35,403	48,560	***—44.1	7,187	16,961	24,148	56.7	72,708	24,412
1926-27	26,325	45,364	71,689	47.6	9,489	11,605	21,094	***—12.6	92,783	50,595
1927-28	33,146	58,086	91,232	27.3	12,292	10,015	22,307	5.7	113,539	68,925
1928-29	72,230	35,421	107,651	18.0	17,709	13,040	30,749	37.8	138,400	76,902
1929-30	128,793	20,430	149,223	38.6	26,325	4,692	31,017	0.9	180,240	118,206
Total	318,602	280,607	599,209	......	81,304	70,264	151,568	......	750,777	447,641

NOTE—Total of American exports in 1929 to all countries was $5,426 million, of which Russia took only 0.5 per cent. * Includes small amount purchased by Amtorg outside of the U. S. ** Includes $20,000,000 worth of flour. *** Decline.

our imports from Russia are of negligible volume it is well known from Russian official sources that the Soviet authorities consider that they have their best opportunities in some lines in the United States because it is the most highly developed market in the world and capable of consuming and paying for vast quantities of goods. It is also the country which, if friendly, can give them the greatest help in the development of Russia. Naturally, the goods the Russians have in mind for mass export to this country are raw materials, such as timber, coal and certain ores. Owing to the inferior nature of American Manganese deposits they have made great progress in exports to us of manganese, so essential in the manufacture of steel. It is impossible for the domestic mines to compete with the Russian. There seems to be no reason why large quantities of Russian lumber cannot be laid down at American ports, except for embargoes. A large quantity of pulpwood for paper manufacture is actually coming from Russia now, to the discomfort of the New England and Canadian pulpwood producers. Russian hard coal is already something of a factor in New England. In this connection it must not be forgotten that the forest and coal industries have been long chronically depressed, and that they suffer from overproduction.

Like the United States, France as a government still holds aloof but not the businessmen. For example, recently a French firm got a contract for electrical products from Russia which, being unwilling themselves to finance, sublet to a German firm which can have its paper discounted by Germany. In fact a delegation of French business men is about to visit Russia with an eye for orders. Although she is deep in the Russian mire, there is a strong agitation in England to cut entirely loose from Russia and even withdraw from diplomatic relations with her. In Germany the view is held that the United States Government is the only great government that is pursuing a consistent course—yet our government does morally encourage the Russian export business. But without the governmental guarantee that the industrial exporters of other nations have, our exporters—and their banks—have to carry all the risk. The result is that the Russians pay fancy prices for American goods and stand the costs of difficult financing. The tendency is, therefore, for Russia to restrict her purchases here.

The inconsistent situation of virtually all countries professing fear of Russian political and commercial penetration and at the same time scrambling to serve Russia in her Five-Year Plan, which is avowedly aimed at them, can be variously explained. The Europeans say that in the absence of any concerted action against Russia it is necessarily a case of every nation grabbing Russian orders while the grabbing is good, leaving the future to take care of itself. So I found that even while the merry game of helping the Russians on with their schemes proceeds apace, there is much discussion in Europe of meeting the concentrated economic power of Russia with some sort of an economic alliance against her, one that even contemplates war as the last resort. The idea is that Russian dumping should be stopped and that the other nations should take from Russia what they need, without injury to their own economic structures, instead of letting Russia dump at will to further her dual economic and political interests. A complete boycott of Russian trade is talked of as a possibility if Russia will not "play fair."

I was informed that recent visits by English delegations to America, to France and Germany were made for the purpose of feeling out the situation. It is argued that a boycott would wreck the Five-Year Plan and leave Russia open to normal exploitation by the advanced industrial nations. And yet England is eagerly manufacturing military airplanes for the Russian army.

Many European industrialists profess to believe that there is nothing fundamentally inconsistent in selling Russian goods at a profit even while she is megaphoning revolutionary propaganda all over the world. Their general argument is that any enterprise that lifts the standard of living and increases the production of wealth in a backward nation is a good thing for the world. They hold that the Russian people will not indefinitely sacrifice themselves for the future, forever give up consumption of goods in order to hasten industrialization; and that as soon as they begin to get a taste of the good things of modern life Russian economic policy will have to veer more toward large domestic consumption. The outcome then, it is predicted, will be that Russia will not only cease forced exportation but will be in the market for consumer as well as producer goods. Sir George Paish, distinguished British economist, recently approved this view, saying that the quickest way to stop communism is to provide people with wealth, that only the poor and hopeless are impressed by socialistic theories. But, the Soviet system does not seem to be doing it.

Increasing industrialization is likely to give the Soviet authorities a multitude of problems that will tend to keep them from worrying about "saving" the proletariat of other nations. Today they are boasting of no unemployment in Russia but the industrialization of agriculture is likely to displace 30,000,000 peasants; in fact, if the peasants are taken into account, unemployment in Russia is already large. The human element in the problem will eventually lead to a slowing down of the tempo of Russian development as a "drive." Some observers report the Russian masses as tired of continual pressure and much given to passive sabotage, necessitating all sorts of encouragement from "shock troops" of zealots.

Taking the long view, there is the possibility, if not probability, that running Russia will become more and more of a capitalistic business and that even foreign selling at a loss will come to be frowned upon. It is noticeable that there is less and less of a tendency to subsidize domestic business. Each industry is more and more compelled to pay its own way. Business is business, whether under the jargon of a social revolution or of hard-boiled American slang. Already piece-work is being introduced in the factories—no longer does the loafer, although nonetheless a "brother," get equal pay for less work. Clerks in stores are being stimulated by commissions. The works are finding that the boss in the front office although nominally still a "comrade" is now a real boss who laughs at the committees that come in with much conversation. No longer can anybody nonchalantly quit a job and joy ride around the country on the railroad trains. "He who does not work, shall not eat" has a new meaning in Russia —and not to the old aristocrats. Labor is virtually conscripted. In some respects state capitalism is rougher on the proletariat than individual capitalism. Thus, in time, we may hope that the Russians, much improved in most respects by the revolution, will settle comfortably down into the family of nations.

The dire need of European industries of the Russian market, or any other market just now, leaves the European nations particularly susceptible to Soviet proposals for commercial credits. Although no nation has yet reached the point of floating a Russian loan, the tendency is to extend more and more liberal credits on the installment plan, with governments guaranteeing their nationals against losses up to 75 per cent. Germany has been the leader in this guaranteeing practice, which, of course, assists manufacturers to procure accommodation at the banks to finance their production for Russia. Recently it was announced that the Bank of International Settlements (part of the capital of which is American) has been rediscounting this Russo-German paper; so, our people are financing the German contribution to the Five-Year Plan. A new purchase and credit

(Please turn to page 192)

BUILDING AND LOAN ASSOCIATIONS

For Features to Appear in the Next Issue See Page 135

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them in numerical order. We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing to investors their booklet "Odd Lot Trading," which explains the many advantages diversification offers to large and small investors. (225)).

"FOR INCOME BUILDERS"
describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Build a permanent independent income through the systematic investing. (318).

HOW TO GET THE THINGS YOU WANT
Tells you how you can become financially independent—how you can retire on an income—how you can provide money for emergencies—money to leave your home free of debt—money for other needs. (703).

A COMPLETE FINANCIAL LIBRARY IN 11 VOLUMES
These eleven Standard Books, published by The Magazine of Wall Street, cover every phase of modern security trading and investing. Available at new low prices. Write for descriptive circular. (752).

AMERICAN COMMONWEALTHS POWER CORP.
has issued its annual report containing a history of the corporation, its earnings, statistical data, and services rendered. A complimentary copy will be sent to you upon request. (761).

WHEN TO BUY AND WHEN TO SELL
The Investment and Business Forecast, a security advisory service, conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. (783).

TRADING METHODS
The handbook on Trading Methods, issued by Chisholm & Chapman, contains much helpful information for traders. A copy will be sent to you upon request together with their latest Market letter. (785).

PARTIAL PAYMENT PLAN
An old established New York Stock Exchange house invites the purchase of high grade listed securities on monthly time payments. Descriptive booklet of plan sent on request. (813).

UTILITY PREFERRED STOCKS
G. L. Ohrstrom & Co. have prepared an interesting analysis of the advantages offered by Preferred Stocks in general and Utility Preferred Stocks in particular, showing present high yields and other advantages. (824).

DO YOU SAVE REGULARLY?
Subscribe to the monthly installment shares of the Serial Building Loan & Savings Institute, a building and loan association operating under strict state supervision. Send today for descriptive literature. (835).

UTILITIES POWER & LIGHT CORPORATION
An illustrated survey of the Corporation's properties has been prepared and will be mailed to you upon request without charge. This Corporation is one whose earnings were greater in 1930 than in 1929. (839).

HOW TO RECOGNIZE A GOOD UTILITY BOND
A comparative analysis of Associated bonds and other utility bonds, based on tests such as are used by insurance companies and investment banking houses, has been prepared. Copy upon request. (849).

INVESTMENT PROFIT INSURANCE
The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861).

STEWART-WARNER CORPORATION
Interested in its future? Copy of the latest financial report and list of products manufactured will be mailed to you upon request. (868).

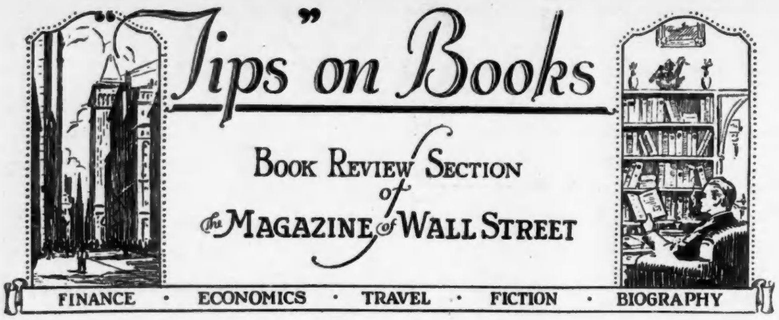
"SOME FINANCIAL FACTS"
is the title of a booklet issued by Bell Telephone Securities Company, which will give you some interesting information on this giant public utility. Send for your complimentary copy. (875).

A SURE INCOME OF 5% TO 7%
is made possible by the building and loan method of operation in Colorado, where state supervision is maintained. Booklet 876 of Colorado's largest guaranty capital association tells why.

DIVIDEND PAYING STOCKS BELOW $20
A brief analyses of the earnings and outlook of a list of dividend paying stocks selling currently under $20 is contained in a circular prepared by McClure, Jones & Co., members of the New York Stock Exchange. Send for 881.

A CONVERTIBLE BOND YIELDING ABOUT 6.15%
For the investor who seeks safety with unusual profit possibilities, H. M. Byllesby & Co. has prepared a circular which explains the reasons why this security is recommended. Complete details will be forwarded by mentioning 882.

INTERNATIONAL PAPER AND POWER CORP.
The annual reports of this corporation and its principal power subsidiaries covering operations for the year 1930 and including maps showing location, number and kind of properties, territories served and undeveloped resources are ready for distribution. Ask for 883.



"Tips" on Books

Book Review Section of the Magazine of Wall Street

FINANCE · ECONOMICS · TRAVEL · FICTION · BIOGRAPHY

WHY RECOGNIZE RUSSIA?

By Louis Fischer

Jonathan Cape & Harrison Smith

THIS volume is concerned chiefly with the attitude of the United States Government toward Russia. Here are marshaled all the arguments for and against recognition, but it is only fair to state that they are not given equal consideration. The author is quite obviously an advocate of recognition, and the book is written with that object foremost.

The chief argument in opposition seems to be the "incorrigibility of the Soviets"—their insistence upon working out their own salvation in their own way rather than accepting the advice and guidance of their capitalistic neighbors. The main reason for recognition, as presented by the author, appears somewhat in the nature of a threat—we'll have to do it some time, we might as well do it now and share in the benefits to be derived rather than to incur further the animosity of this growing giant which may wreak its vengeance upon us at some future date.

While the book cannot be considered an unbiased treatment of the subject, the author's arguments are forceful, and he is to be thanked for gathering together in one place so many facts on either side of the question. M. S. D.

SOVIET FOREIGN TRADE, MENACE OR PROMISE

By J. M. Budish and Samuel S. Shipman

Horace Liveright

THE authors, who are economists of the Amtorg Trading Company, Russia's official commercial organization in this country, have assembled in compact form a wealth of material on world production and trade. It is for this that the book should be valuable. For the rest, it is carefully prepared propaganda to encourage Russian-American trade relations. They belittle the charge of "dumping" and emphasize the plea that Russia is exporting only that she may in this way pay for her much needed imports. They claim that these are largely complementary, anyway, Russia exporting raw and unfinished material and receiving in exchange machinery and equipment to further her Five-Year Plan. Just what the man in the street can do about it is questionable. Trade with Russia seems to continue despite violent arguments both for and against it. M. S. D.

THE LAST STAND

By Edmund A. Walsh

Little, Brown & Co.

SOVIET Russia appears to be one of the topics of discussion about which no one can be neutral. Certainly as we read Father Walsh's latest book, it is not hard to see the antagonism with which he regards his subject. His eyes are focused upon the miseries of the people, and he is unable to see the possible social justice which advocates of the new Russia claim will be the eventual result of the operation of Communism.

He sees the Five-Year Plan as the last trench of Bolshevism, but he does not delude himself with prophesies of its failure. In fact, "the scales at the present writing would seem to hang about even." He presents a strong case toward proving the Soviet government and the Communist party to be in accord in looking upon the plan as a means of undermining capitalist stabilization. Naturally, he is opposed to recognition by this country.

He emphasizes repeatedly his sympathy with the Russian people and his belief that they are being used merely as a means to an end. With their leaders, it is "not Russia but Communism that counts."

Father Walsh is handicapped by having to depend upon the accounts of travelers, the results of investigations made in this country and his own personal experiences in Russia several years ago. If the result seems unfair to Russia, it is well to remember that the majority of recent books have leaned the other way. At any rate, it is grippingly told and well worth reading. M. S. D.

(*Continued from page* 190)

agreement between German industrialists and the Soviet Supreme Economic Council covers $75,000,000 worth of German goods and extends the partial payment period of as much as 33 months. Last August the Soviet Union entered into an agreement with the Italian government whereby the latter undertook to finance, through guarantees up to 75 per cent, Russian purchases from Italian firms amounting to about 10 million dollars. A recent agreement adds 18 million. Credit time has been extended beyond the former maximum of 52 months. Yet if any government in the world is antithetical to the Soviet government it is the Fascist government which kept Italy from going communist! More paradox! England is financing exports to Russia through an Exports Credits arrangement for her manufacturers. In many instances the Russians meet the foreign trade finance problem by direct barter, as in Italy, where wheat is traded for airplanes.

From all of these operations it is apparent that Russia's economic position at the moment is undeniably a strategic one. In the wheat market she tells us in effect, that we are asking her to pull our chestnuts out of the fire. That while we may consider that the price at which she is selling is dumping and not competition, she expresses herself as believing that this situation is due only to the weakness of the capitalistic system. Then again we do not recognize Russia and she feels she does not owe us any friendship. She is, therefore, willing to be of service only at a price and she wants us to pay for every concession which she is willing to make.

She is not only striving to bring confusion to us at home but abroad as well. She is the ace in the hole for France who threatens to use Soviet oil unless British and American interests make it possible for her to acquire her own private oil supply through the Mozul for her refineries in Marseilles on her own ground,—which would further increase the present over-supply of oil throughout the world.

Russia is the source of raw materials to Germany and is of strategic importance economically in her position between the fear and jealousy of France and England which drives her closer and closer to the Russians. And then again she is in the position of bolstering up Italy's position—and so we could go on and on *ad infinitum*.

To sum it up there can be no sincere concerted action in Europe against Russian products because of nationalistic fears and ambitions. As far as America, "the good provider and big-hearted banker," is concerned, Europe expects us to hold the bag anyway.

FINANCIAL NOTICES

Dividends and Interest

Midland United Company

Notice of Dividend

The Board of Directors of the Midland United Company has declared the regular quarterly dividend upon each share outstanding of the Convertible Preferred Stock, Series A, of the Company, consisting of seventy-five (75) cents, in cash, or one-fortieth (1/40) of a share of Common Stock of the Company, at the election of the holder, such election to be made fifteen business days before June 24, 1931.

This dividend is payable on June 24, 1931, to stockholders of record at the close of business on June 1, 1931.

BERNARD P. SHEARON,
Secretary.

GEORGE A. FULLER COMPANY

MADISON AVENUE & 57th STREET
NEW YORK CITY

At a meeting held today, the directors of this company declared the regular quarterly dividend of one dollar and fifty cents ($1.50) on each share of its Cumulative and Participating Prior Preferred Stock, issued and outstanding, payable on July 1st, 1931, to stockholders of record at the close of business on June 10th, 1931, and the regular quarterly dividend of one dollar and fifty cents ($1.50) on each share of its Cumulative and Participating Second Preference Stock, issued and outstanding, payable on July 1st, 1931, to stockholders of record at the close of business on June 10th, 1931.

Dated, New York, May 12th, 1931.

B. M. FELLOWS, Treasurer.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

167th Dividend

THE regular quarterly dividend of Two Dollars and Twenty-Five Cents ($2.25) per share will be paid on July 15, 1931, to stockholders of record at the close of business on June 20, 1931.

H. BLAIR-SMITH, Treasurer.

SOUTHERN PACIFIC COMPANY

DIVIDEND NO. 99

A QUARTERLY DIVIDEND of One Dollar and Fifty Cents ($1.50) per share on the Capital Stock of this Company has been declared payable at the Treasurer's Office No. 165 Broadway, New York, N. Y., on Wednesday, July 1, 1931, to stockholders of record at three o'clock P. M., on Thursday, May 28, 1931. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.

New York, N. Y., May 20, 1931.

TENNESSEE CORPORATION

61 Broadway, New York

May 12, 1931.

The Board of Directors of the Tennessee Corporation has this day declared a quarterly dividend of twelve and one-half (12½c) cents per share on the issued and outstanding capital stock of the company, payable June 15, 1931, to stockholders of record at the close of business on May 29, 1931.

E. H. WESTLAKE,
Treasurer.

THE DETROIT EDISON COMPANY

60 Broadway, New York, May 14, 1931.

A quarterly dividend of Two Per Cent. ($2.00 per share) on the Capital Stock of the Company will be paid on July 15, 1931, to stockholders of record at the close of business on June 20, 1931.

SAMUEL C. MUMFORD, Treasurer.

Dividends and Interest

Midland United Company

Notice of Dividend

The Board of Directors of the Midland United Company has declared the regular quarterly stock dividend of one and one-half per cent (1½%) upon the Common Stock of the Company [being at the rate of three two-hundredths (3-200ths) of a share upon each share outstanding] payable on June 24, 1931, to stockholders of record at the close of business June 1, 1931.

Where less than a whole share would be issuable for such dividend, scrip dividend certificates will be issued for the fractional shares.

BERNARD P. SHEARON,
Secretary.

UNION CARBIDE AND CARBON CORPORATION

A cash dividend of sixty-five cents (65c) per share on the outstanding capital stock of this Corporation has been declared, payable July 1, 1931, to stockholders of record at the close of business June 2, 1931.

WILLIAM M. BEARD, *Treasurer*

Paramount Pictures

PARAMOUNT PUBLIX CORPORATION
COMMON DIVIDEND

PLEASE TAKE NOTICE that the Board of Directors has this day declared a quarterly dividend of sixty-two and one-half cents per share on the Common Stock of this Corporation payable June 27th, 1931, to stockholders of record at the close of business on June 5th, 1931.

ELEK JOHN LUDVIGH,
May 11th, 1931. Secretary

LOEW'S INCORPORATED

'THEATRES EVERYWHERE'

May 21st, 1931

THE Board of Directors has declared a quarterly dividend of 75c per share on the Common Stock of this Company, payable on the 30th day of June, 1931 to stockholders of record at the close of business on the 13th day of June, 1931. Checks will be mailed.

DAVID BERNSTEIN
Vice President & Treasurer

UNDERWOOD ELLIOTT FISHER COMPANY

A dividend of $1.75 a share on the Preferred stock and a dividend of $1.25 a share on the Common stock of Underwood Elliott Fisher Company will be payable June 30, 1931, to stockholders of record at the close of business June 12, 1931.

Transfer books will not be closed.

C. S. DUNCAN, *Treasurer.*

Dividends and Interest

★

DIVIDEND

ARMOUR AND COMPANY
OF DELAWARE

ON MAY 15th a quarterly dividend of one and three-fourths per cent (1¾%) on the preferred stock of the above corporation was declared by the Board of Directors. Payable July 1, 1931, to stockholders of record at the close of business, June 10, 1931.

E. L. LALUMIER,
Secretary

★

The North American Company

QUARTERLY DIVIDENDS

No. 109 on Common Stock of 2½% in Common Stock (at the rate of 1/40th of one share for each share held); and

No. 40 on Preferred Stock of 1½% in cash (at the rate of 75 cents per share)

Will be paid on July 1, 1931 to respective stockholders of record at the close of business on June 5, 1931.

Robert Sealy, Treasurer

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a distribution of 75 cents per share on the Company's 2,540,000 shares of capital stock without nominal or par value, payable on June 15, 1931, to stockholders of record at the close of business on June 1, 1931.

Stockholders will be advised later as to what portion of said distribution is from Free Surplus and what from Reserve for Depletion.

H. F. J. KNOBLOCH, Treasurer.

E. I. DU PONT DE NEMOURS & CO.

Wilmington, Delaware, May 18, 1931.

The Board of Directors has this day declared a dividend of $1.00 per share on the outstanding $20.00 par value Common Stock of this Company, payable on June 15, 1931, to stockholders of record at the close of business on May 28, 1931; also dividend of $1.50 a share on the outstanding debenture stock of this Company, payable on July 25, 1931, to stockholders of record at the close of business on July 10, 1931.

CHARLES COPELAND, Secretary.

THE ELECTRIC STORAGE BATTERY COMPANY

Allegheny Ave. and 19th St.,
Philadelphia, May 15, 1931.

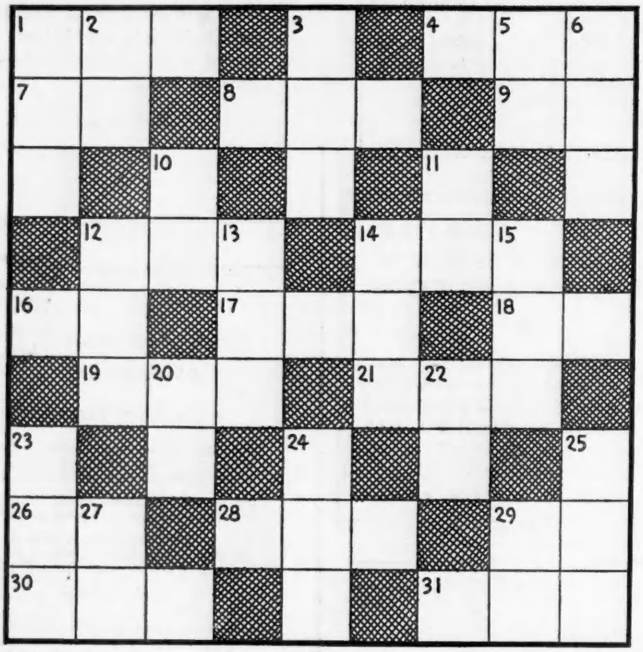
The Directors have declared from the Accumulated Surplus of the Company a quarterly dividend of One Dollar and Twenty-five Cents ($1.25) per share on the Common Stock and the Preferred Stock, payable July 1, 1931, to stockholders of record of both of these classes of stock at the close of business on June 8, 1931. Checks will be mailed.

WALTER G. HENDERSON, Treasurer.

How Well Do You Know Your Ticker Symbols?

Solve The Magazine of Wall Street's Cross Word Puzzle and Find Out

The puzzle outlined below is made up entirely of the ticker symbols of the companies given. All stocks are listed on the New York Stock Exchange. Solving this and subsequent puzzles will prove an interesting demonstration of your ability to read the tape and has the practical advantage of widening your knowledge of the most frequently used ticker abbreviations. The correct solution and the next puzzle will appear in the following issue.



ACROSS

1 National Bellas Hess
4 Albany Perf. Wrapping Paper
7 Kelly Springfield Tire Co.
8 North American Edison
9 Peoples Gas Light & Coke Co.
12 National Dairy Products
14 Norwalk Tire & Rubber Co.
16 Oliver Farm Equipment
17 Detroit Edison Co.
18 New York Central
19 Kennecott Copper
21 Borden Co.
26 North American Co.
28 Newton Steel Co.
29 Paramount Publix
30 Ohio Oil
31 Park Utah Cons. Mines

DOWN

1 N. Y. Chi. & St. Louis R. R.
2 Brunswick Terminal
3 National Distiller's Prod. Co.
5 Union Bag & Paper Co.
6 Pierce Oil Corp.
10 Union Pacific
11 Great Northern Iron Ore
12 Norfolk & Western Ry.
13 Timken Detroit Axle
14 Neisner Bros. Inc.
15 Trico Prod. Co.
20 National Dept. Stores
22 Delaware Lack. & Western R. R.
23 Austin Nichols & Co.
24 National Surety Co.
25 Penn Dixie Cement
27 Allis Chalmers Mfg. Co.
29 Pullman Co.

Solution to Puzzle in Last Issue

1 U	2 V	X		3 T		4 U	5 V	6 V
7 S	A		8 A	Y	9 Y		10 C	I
X		11 N	X		12 A	13 U		K
	14 W	A		15 U		16 M	17 W	
18 U	P		19 U	B	P		20 Y	B
	21 U	22 W		C		23 W	Y	
24 S		25 Z	26 E		27 U	X		28 W
29 S	30 W		31 U	32 A	F		33 U	B
34 U	F	G		W		35 U	D	S

Debt Cancellation Unnecessary

(*Continued from page 144*)

debts already made by Germany and the Allies may be partly responsible for the present business crisis. But after all, Germany did gain wealth and France lose it through the settlement of 1871.

Payment of a war indemnity tends to increase the public debt and taxation of the debtor country and reduce production—and has the opposite effect on the creditor country, although it does at the same time tend to cause inflation. However, in the case of the reparations and the allied debts the payments are not made at once; they will continue for 58 years. While each payment, considered by itself, will tend to produce inflation and subsequent contraction it is contended that the next payment will bring a new tendency toward inflation in time to neutralize the reaction.

The ultimate result would be that by the time the debts are discharged, and probably long before, the compulsion of paying them would leave the world richer and more prosperous than ever. Perhaps that was what Mr. Franqui, one of the Belgium delegates to the Young Plan Conference had in mind when he talked with Owen Young, one day at the Hotel Ritz in Paris.

*" 'Owenyoung,' he asked, 'why all these great men sit around here discussing a few milliards? What a few millards amount to? Your grandmother alive?"

Owen Young was a little surprised, but he replied, "No, my grandmother is dead."

Mr. Franqui continued: "Owenyoung, your grandmother come to life today she say to you, 'Owenyoung, you live Ritz Hotel. How much money you spend Ritz Hotel today?' You tell your grandmother. She drop dead!"

Perhaps the compulsion of debt settlement—as well as other things—will spur the whole world on to such increased production and consumption that all these billions that we are talking about and blessing or cursing will one day become insignificant. The billions of the German reparations and the allied debts may be as relatively small in the future as the French billion of 1871 now is compared with the indemnities of the last war.

The war debts can be paid—and the world will not be ruined by their payment.

* This anecdote was related by Jeremiah Smith, Jr., former commissioner general of the League of Nations for Hungary, at a meeting of the Academy of Political Science on November 14, 1930.

Smoke a fresh cigarette

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